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# Group Dynamics and Its Effect on Performance of Micro and Small Enterprises (The Case of Simada Woreda)

Misganaw Abebe

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**BAHIR DAR UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF MANAGMENT**

**GROUP DYNAMICS AND ITS EFFECT ON PERFORMANCE OF MICRO  
AND SMALL ENTERPRISES**

**(THE CASE OF SIMADA WOREDA)**

**By**

**MISGANAW ABEBE**

**A THESIS SUBMITTED TO THE GRADUATE SCHOOL OF BAHIR DAR  
UNIVERSITY IN PARTIAL FULFILLMENTS OF THE REQUIREMENTS  
FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION  
(MBA)**

**ADVISOR: ABEBE KEBIE (ASS. PROFESSOR)**

**September, 2018**

**Bahir Dar**

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## DECLARATION

I, the undersigned, declare that the study entitled “*Group Dynamics and Its Effect on Performance of Micro and Small Enterprises. The Case of Simada Woreda*” is the result of my own effort and study that all sources of materials used for the study have been acknowledged. I have conducted the study independently with the guidance and comments of the research advisor.

This study has not been submitted for any degree in any university. It is conducted for the partial fulfillment of the Master of Arts Degree in Business Administration.

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Misganaw Abebe

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Date

## LETTER OF CERTIFICATION

This is to certify that this study, “*Group Dynamics and Its Effect on Performance of Micro and Small Enterprise. The Case of Simada Woreda*”, undertaken by Misganaw Abebe for the partial fulfillment of Masters of Business Administration (MBA) at Bahir Dar University, is an original work and not submitted earlier for any degree either at this University or any other University.

Research Advisor: Abebe Kebie /Ass. Professor./

Signature \_\_\_\_\_

Date \_\_\_\_\_

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## **Acronyms**

**ACSI:** Amhara Credit and Saving Institution

**ANRSTVEDB:** Amhara National Regional State Technical, Vocational and Enterprises  
Development Bureau

**CSA:** Central Statistics Authority

**FDRE:** Federal Democratic Republic of Ethiopia

**FDREMSEDA:** Federal Democratic Republic of Ethiopia Micro and Small Enterprises  
Development Agency

**ILO:** International Labor Organization

**MoTI:** Ministry of Trade and Industry

**MSEDS:** Micro and Small Enterprises Development Strategy

**MSEs:** Micro and Small Enterprises

**SWTVEDO:** Simada Woreda Technical, Vocational and Enterprise Development Office

**TVET:** Technical and Vocational Education and Training

**TMTs:** Top Management Teams

## ABSTRACT

*The objective of this study is to investigate the effect of group dynamics which is concerned on how groups are formed, what is their structure and which processes are followed in their functioning (Donelson, 2009) that is measured by its variables namely; group participation, group communication, trust, group cohesion and group empowerment according to this study on performance of Micro and Small Enterprises in Simada Woreda. Based on the works of Bobbie J. & Zorka K., 2010 on Study of Group Dynamics, a structured questionnaire is developed and administered to MSEs managers in Simada Woreda which are engaged in the priority sectors of the economy. A total of 86 MSEs managers participated in the study and the data is analyzed using descriptive and inferential statistics. The results show that the five independent variables measuring group dynamics were all positively related with performance of MSEs within the range of  $r=0.794$  to  $r=0.878$ . Moreover, group cohesion is the most contributing group dynamics variable in the prediction of MSEs performance with beta value .267. The other four variables, in their descending order of unstandardized coefficients are group communication, trust, group participation and group empowerment. Furthermore, multiple regression analysis is used to measure the statistical effect of each individual independent variable on the dependent variable. The test result indicated that the alternative hypothesis of group cohesion, group communication and trust are supported by the multiple regressions and ascertained as they have significant positive effect on firm performance with a significance value less than  $0.05(p<0.05)$ . However, group participation and group empowerment does have insignificant effect on firm performance.*

***Keywords: Group dynamics, participation, communication, trust, cohesion, empowerment, firm performance.***

# CHAPTER ONE

## INTRODUCTION

### 1.1 Back ground of the Study

Group work and team work has become a major focus area in the business world. As evidenced by 82% of companies which have at least 100 employees reporting that they rely on teams and groups for catering the individual needs for security, esteem, identity, affiliation, power and others (Gorden, 1992).

Although there are economic, strategic, and technological imperatives driving the transformation of organizational structures, one of its more compelling aspects has been an ongoing shift from work organized around individual jobs to group based work structures (Lawler, Mohrman, & Ledford, 1995). The increasing global competition, consolidation, and innovation create pressures that are influencing the emergence of groups as basic building blocks of organizations. These pressures require the existence of diverse skills, expertise, and experience. Due to the dynamic nature, organizations have globalized operations through expansion, mergers and acquisitions, and joint ventures placing increased importance on cross-cultural and mixed culture teams.

Group dynamics can be studied in business settings, in volunteer settings, in classroom settings, and in social settings (Nazzarro A. & Strazzabosco J., 2009), public corporations (Sharma & Bajpai, 2014), top management teams (Carpenter M., 2009).

This study focuses on establishments of group owned MSEs in that MSEs have important place at all economies in the world, but especially to those in developing countries and, within that broad category, especially in those economies with major employment and income distribution challenges. MSEs are the engine of growth, essential for developing competitive and efficient markets and reduction of poverty particularly in developing countries (Fan, 2003).

Micro and small enterprises (MSEs) have been recognized as a major source of employment and income in many countries of the Third World. There is reason to believe that the share of the total population engaged in such activities is growing over time. While the broad magnitudes of

MSE structure are reasonably clear, there has been much less understanding of the process through which employment in MSEs grows (Donald, Carl, 1998).

Micro and Small Enterprises are generally recognized to have essential contributions to fighting against these macro-economic problems. In Ethiopia, large numbers of people are engaged in different business areas and established micro and small enterprises that can serve as a livelihood.

The MSEs are also an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change, and through all of these stimulate economic development. Therefore, the Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country. To this effect, the government has formulated a National Micro and Small Enterprise Development and Promotion Strategy, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs (MoTI, 1997).

On the basis of MSEDs the government has developed policies, directives and implementation packages by which MSEs could be guided and supported. Among this, facilitate access to finance, industry extension service through entrepreneurship, technology, kaizen and technical skill packages that is delivered by technical and vocational education and training (TVET) colleges, prioritizing and creating market linkage, access to information and advice by technical, vocational and enterprises development office(TVEDO), provision of selling sites, access to credit services in nearby credit and saving institutions and infrastructural services are the prime determinants of MSEs growth beyond their strives(FDRE, 2012).

Therefore the government of Ethiopia has developed a strategy to be applied up to a grass root level which is aimed at capacitating micro and small enterprises as these are the root sources from which large and medium scale companies could be incubated and this research is to be carried out issuing the effect of group dynamics on performance of Micro and Small Enterprises (MSEs) taking the case of Simada Woreda among the woredas in south Gondar zone which is 105 and 207 kms away from Debretabor and Bahir Dar respectively.

## **1.2 Statement of the Problem**

According to Afejie, groups are collections of individuals who have common goals or destinations, have attachment to the group and try to make changes in one another (Afejie, 2001). Rezaian, (2003), have also considered three advantages for group work as group judgment is better than personal judgment, groups are more successful than individuals when problem-solving requires division of labor and information exchange and groups can be more creative and innovative than individuals, since groups tend to make challenging decisions (Shaw, 1981).

These scholars have revealed that individuals may work better when they do it individually than collectively due to their share in group work is hardly noticeable and individuals prefer that other people carry the primary responsibility (Afejie, 2001, Rezaian, 2003, Shaw, 1981, & Hill, 1982). Above all they commonly agreed that individuals' behavior is strongly influenced by colleagues in a group.

Developing cooperative behavior in work groups is difficult because of conflicts between individual and group interests. This is especially so when groups comprise individuals with different backgrounds, expertise and interests. Such groups tend not to share information, not to learn from each other or to be flexible in terms of their workloads (Gratton & Erickson, 2007).

Like TMTs and public organizations, MSEs are also established in a group setting (Sharma & Bajpai, 2014, Carpentier M., 2009) which is the issue of this study. Employment in MSEs expands as a result of new enterprises starting up in business, and through an expansion of existing enterprises. These positive forces are offset by the contraction or closure of other enterprises. These different components of change are subject to different forces and determinants. Many MSE promotion projects around the world seek to influence one or another of these different components of change.

Assuring that MSEs could expedite the industry led transition through substituting imports and expanding exports and contribute to the economic transformation of the country by upholding job creation and poverty reduction, FDRE has utilized large number and ways of supporting the sector through its structure up to woredas and kebeles of the nation minimizing the risks that will lead them to be discontinued (MoTI, 1997).

Beyond the strategies and support schemes presented under the back ground of the study previously, FDRE has also enacted a revolving fund credit service directive (ACSI, 2016) which is delivered initially at an obligatory system to job seekers who are organized in group basis of at least five individuals on manufacturing, construction, town agriculture, service and trade sectors allowing them pay lower interest rate (8%) and make lower prior saving rates (10%).

In order to enable MSEs capable, MOFED (2016) formulated and applied a directive number 27/2017 enabling enterprises established in a group basis make contracts up to 10,000,000 birr directly or based on their performances. In addition, the government also helps these MSEs use better technologies through a lease finance system by taking agreements with development bank of Ethiopia and Walia capital equipments supplying company among others. Working and selling premises, credit services, industry extension services after their establishment, infrastructural services and other related services are rendered prioritizing enterprises formed in group basis in five sectors of the economy.

Although the government is encouraging the continuity and growth of MSEs as a result of the role they play in creating employment opportunities, allowing people have variety and make informed choices of products, promoting exports and supporting the economy; their success rate is not as expected. Large numbers of MSEs are established each year but those which do not move beyond a hand to mouth live to a single operator or members are not few in addition to greater number of MSEs that becomes closed even in the year when they were established. FDRE (2007), Solomon (2004) also confirmed that irrespective of their form of ownership MSEs are not bringing the expected result in supporting the economy. ANRSTVEDB (2009) and SWTVEDO (2010) annual report also revealed that MSEs established in single and group basis are not growing based on expected and which discontinue are large in number.

Factors affecting the growth and continuity of MSEs are researched by a number of researchers. Among this; (Haftom, Fisiha, Araya, 2014; Asefa, Zerfu and Tekle, 2014; Solomon, 2004) researched that, credit services which is much lower than demand, lower access to working and selling premises and lack of uniformity in designing the plan, low level of market linkages and poor access to market information, absence of readiness to accept and use new technology and lower access to basic infrastructure services are factors affecting performance of MSEs.

In Ethiopia and Amhara region in general and Simada Woreda in particular especially in recent two years, enterprises are mostly established on group basis through a revolving fund released at federal level for job creation purpose and those MSEs are not succeeding. Researchers mostly are concerned on factors affecting the growth of MSEs which are external and uncontrollable. Due to this, researchers especially in Ethiopia have missed researching on the interaction of people doing business in a group basis termed as group dynamics i.e., cohesion, communication, empowerment, participation and trust between group members.

Therefore, the aim of this study is to investigate the effect of group dynamics which could be expressed in terms of members' communication, cohesiveness, participation, trust, and empowerment (Bobbie J. & Zorka K., 2010) on performance of Micro and Small Enterprises which is under investigated by other researchers especially in Ethiopian context.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The general objective of the study is to investigate the effect of group dynamics on performance of MSEs in Simada Woreda.

#### **1.3.2 Specific Objectives**

The specific objective of the study comprises;

- ✓ To examine the effect of group cohesion of operators on performance of micro and small enterprises in Simada Woreda.
- ✓ To assess the effect of group trust on performance of micro and small enterprises in Simada Woreda.
- ✓ To investigate the effect of group communication of operators on performance of micro and small enterprises in Simada Woreda.
- ✓ To assess the effect of group participation of operators on performance of micro and small enterprises in Simada Woreda.
- ✓ To examine the effect of group empowerment on performance of micro and small enterprises in Simada Woreda.

#### **1.4 Research Questions**

The study is primarily focused on answering the following basic research questions.

- ✚ What is the effect of group cohesion on performance of Micro and Small enterprises in Simada Woreda?
- ✚ What is the effect of group participation on performance of Micro and Small enterprises in Simada Woreda ?
- ✚ What is the effect of group communication on performance of Micro and Small enterprises in Simada Woreda?
- ✚ What is the effect of group trust on performance of Micro and Small enterprises in Simada Woreda?
- ✚ What is the effect of group empowerment on performance of Micro and Small enterprises in Simada Woreda?

#### **1.5 Research Hypothesis**

Based on the review of theoretical and empirical literature, the following hypotheses were developed to guide the empirical work of the research:-

- ✚ Group cohesion has a positive significant effect on performance of Micro and Small enterprises in Simada Woreda.
- ✚ Group participation has a positive significant impact on performance of Micro and Small enterprises in Simada Woreda.
- ✚ Group communication has a positive significant impact on performance of Micro and Small enterprises in Simada Woreda.
- ✚ Group trust has a positive significant impact on performance of Micro and Small enterprises in Simada Woreda.
- ✚ Group empowerment has a positive significant effect on performance of Micro and Small enterprises in Simada Woreda.

#### **1.6 Significance of the Study**

The study will allow stakeholders supporting the growth of micro and small enterprises capacitate their knowledge on how dimensions of group dynamics will influence performance and incorporate these dimensions in their support schemes.

It enables micro and small enterprises devise the research results to respond to the effect of group dynamics on their performance accordingly and cope up in the domestic and abroad market. As stated by March (1991), firms need to adopt environmental change to remain successful because firms are specially challenged when the environment becomes changing and unpredictable.

The study will benefit concerned government authorities specially the National Micro and Small Enterprises Development Agency and Regional Technical, Vocational and Enterprise Development Bureaus serve as an input to formulate policies and directives for MSEs development as Ethiopian government is striving to strengthen MSEs .

The study will also benefit other researchers who are willing to be engaged in related areas in that it could serve as an additional source of information.

### **1.7 Scope of the Study**

Geographically the research is delimited to Simada Woreda. Micro and small enterprises that are established in group and operating in priority sectors including manufacturing, construction, town agriculture, service and trade which the government offered due attention were covered in the study. Conceptually, this research is delimited to and aimed at assessing the effect of group cohesion, group participation, group trust, group communication and group empowerment on performance of Micro Small Enterprises in the selected study area.

### **1.8 Organization of the Research**

This study is organized into five chapters. Chapter one incorporates introduction, back ground of the study, statement of the problem, research question, objectives of the study, scope of the study and significance of the study. Chapter two will make an overview of the state of the art analysis of the existing literature which includes definitions of terms, theoretical, empirical related literature review and conceptual frame work of the study. Chapter three present(s) the methodology used in this thesis which includes the research approach as well as describes the data collecting and analysis methods to be used. Chapter four covered analysis and presents the research findings obtained by showing how each of the research questions would answer and how these findings together contribute to the main purpose of the study. Finally chapter five encompasses summary, conclusions and a set of recommendations derived from the research findings and the conclusions of this work.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 Review of Theoretical Literature

##### 2.1.3 Definition of Micro and Small Enterprises

Regardless of country and economic development, there are two approaches to define MSEs: quantitative and qualitative approach. In most cases the number of employees, sales turnover and asset size are widely used as standard criteria to define MSEs (Arinaitwe, 2006). However, the convergence does not in any way suggest a common agreement of the specific numbers in terms of these variables.

According to ILO (2007) and Jining (2008), different governments and writers considerably differ in defining MSEs because of the following two factors. The first factor is population and stage of a country's economic development. A definition of MSE in the developed world would differ from how MSEs are defined in developing countries. For example MSEs in USA and Europe it is defined according to the number of employees and annual turnover of developing countries, it would be a definition adopted for medium or large enterprise. So, the acceptable figures of number of employees & annual sales turnover differ from country to country, depending on their economic development (Ali & Sims, 2001).

The second factor is industry within which the MSE is competing. The definition of MSEs as perceived above does not take into account the fact that the MSEs sector is diverse. As ILO (2007) argues, while the convergence in MSEs definitions is certainly a welcome move for the standardization of data collection on enterprises (a major reason for defining MSEs), it does little to help us understand the diversity of the sector. In fact, harmonizing definitions may obscure characteristics that more varied definitions try to draw out. A definition of MSE, even using the above mentioned variables should necessarily take into consideration the industry within which the firm is participating.

When we come to MSEs definition in Ethiopian context, two types of working definitions for Micro and Small Enterprises (MSEs) were used. One was by the Ministry of Trade and Industry (MOTI) and the second was Central Statistics Authority (CSA).

The definition used by MOTI in 1997 has been developed for formulating MSE. According to MSE Development Strategy in 1997/2005; micro enterprises are those business enterprises in the formal and informal sector, with a paid up capital of not exceeding birr 20,000 and excluding high tech consultancy firms and other high tech establishments. And small enterprises are those business with a paid up capital of above birr 20,000 and not exceeding birr 500,000 and excluding high tech consultancy firms and other high tech establishments.

For the purpose of compiling statistical information, Central Statistics Authority(CSA) categorizes enterprises into different scales of operations on the size of employment and the nature of equipment. According to Central Statistics Authority (CSA ,1995), cited in Eshetu and Zeleke, 2008), establishments employing less than ten persons and using motor operated equipment's were considered as small-scale manufacturing enterprises. Enterprises in the micro enterprise category were subdivided into informal sector operations and cottage industries: cottage and handicraft industries are those establishments performing their activities by hand and using non-power driven machines. The informal sector is defined as household type establishments or activities, which are non-registered companies or cooperatives operating with less than 10 persons. This un uniform definition is also the current issue because according to Zeleke, (2008), there is a need to have agreed national definition not only for research purposes but also for consistency of legislation and for focusing discussions of policy makers as well as financial and enterprise promotion agencies to tailor appropriate measures to particular sectors.

In light of the above definitions and taking into consideration the Ethiopian situation, micro and small scale enterprises (MSSEs) were defined in previous periods in the following ways. Micro enterprises are business activities that are: independently owned and operated, have a small share of the market, are managed by the owner and employing five or less employees. (This has also revised to include employment until 10 workers and capital reaching up to 20,000 birr) and small businesses are those enterprises that employ 6-49 employees and sharing the similar characteristics with micro-enterprises.

However, since Feb.2011, Ministry of Trade and Industry (MOTI) has adopted official definition of MSE which is different from previous years. The current definition of MSEs in Ethiopia focused on the number of employees that the enterprises hire and size of the capital they own are

mainly used as a yardstick to define MSEs and accordingly, each micro and small enterprise is categorized in to industry and service sector.

Accordingly, micro-enterprise is the business enterprise found in all sectors of the Ethiopian economy hiring up to five man power and 100,000 birr capital for industry and up to five man power and capital of 50,000 birr for service sector and small scale enterprise category, the industry sector includes 6-30 man power and maximum of 1.5 million birr capital and the service sector involves 6-30 man power and capital of 500,000 birr. Under the industry sector there are Manufacturing, Construction and Mining, and under the service includes Retail, Transport, Hotel and Tourism, Recreation, Information Technology and Maintenance are included in addition to the trade sector.

Thus, the above official definition constitutes MSEs regardless of they are formed in proprietorship or in group form. As the research here is concerned on MSEs formed in group; terms, dimensions, models and perspectives of group and group dynamics that influences performance are elaborated here under.

#### **2.1.4 Definition of Work Groups**

A work group is collection of two or more individuals, working for a common goal and is interdependent. They interact significantly to achieve a group objective. For a manager it is difficult to manage group because of varied nature, personality traits, attitude of individuals and personal interest in the group job the group members' display. It is therefore important for managers to understand group member behavior and deal effectively with the group because of the synergy they provide. Manager should be able to achieve not only group objective but should be able to fulfill individual objectives within the overall organizational frame work (Donelson, 2010).

As to Greenwood (2004), like others has defined groups as a collection of two or more individuals who are connected by and within social relationships (Greenwood, 2004).

According to process management theorist Henry Fayol's general management principles, managers must go forward to develop a sense of belonging among the members of the work group. If there is team-spirit then everyone comes forward to help each other. It must be remembered that 'union is strength'. Written explanation from erroneous member complicates

matter and all issues should be resolved verbally and managers should develop **Esprit de corps**: team-spirit that is harmony in work group and mutual understanding among workers (Fayol, 1916).

According to (Donelson, 2010, Jayakumar and Nandagopal, 2008 and Kondalker, 2007), group members should be able to achieve greater volume and quality than the sum total of individual contribution. This is achieved by joint idea generation, finding out various courses open, and selecting and implementing the best course of action. Because of the joint efforts of the group, it is possible to use skill, knowledge and experience of group members to achieve quality decisions and achieve group goals. If a group exists in an organization, its members: – Are motivated to join – perceive a group as unified unit of interacting people – contribute to various amounts to the group processes – reach agreement and disagreements through various forms of interaction.

As to these scholars, groups can be organized formally which is planned and defined by the organization structure comprising collections of employees who work together to contribute towards achievement of organizational objective. Formal groups are formed based on the work and human resources required by skill, knowledge and experience to achieve organizational task. In a manufacturing unit, the organizational task is sub divided into groups and teams. Each group is composed of various members based on the human resource requirement. The members of the group report to a designated leader. They interact with each other on official level.

On the other hand informal groups not formally organized in the work system to get the job done but develop on their own randomly at workplaces because of common interest and mutual liking of the group members. This group formation takes place because of the interaction they have with each other during the official work. Members from within one group or members from different departments or even an organization can form an informal group. Their contribution for success of formal group is immense if properly handled by official authority in the group setting (Jayakumar and Nandagopal, 2008).

More and more modern managers are using work teams to accomplish organizational tasks. Simply establishing such a team, however, does not guarantee it will be productive. In fact, managers should be patient when an established work team is not initially productive, for teams generally need to pass through several developmental stages before they become productive.

Managers must understand this developmental process so they can facilitate it. According to (Donelson, 2010, Jayakumar and Nandagopal, 2008, Brien M., 1987, Samuel, Trevis, 2012 and Kondalker, 2007), the stages a team usually must pass through before it becomes fully productive comprises first forming which involves exploring issues related to the members' new job situation, such as what is expected of them, who has what kind of authority within the team, what kind of people are team members, and what skills team members possess, storming that proceeds after formation of groups characterized by conflict and disagreement as team members become more assertive in clarifying their individual roles. During this stage, the team seems to lack unity because members are continually challenging the way the team functions. To help the team progress beyond storming, managers should encourage team members to feel free to disagree with any team issues and to discuss their own views fully and honestly. The third stage norming is characterized by agreement among team members on roles, rules, and acceptable behavior while working on the team. Conflicts generated during the storming stage are resolved in this stage. Managers should encourage teams that have entered the norming stage to progress toward developing team norms and values that will be instrumental in building a successful organization which is followed by performing stage by which team fully focuses on solving organizational problems and on meeting assigned challenges and finally the adjourning stage that involves finishing its job and preparing to disband when groups are formed for accomplishing a specific purpose in a given time period.

Therefore, it is important that management should do everything necessary to integrate these people into new teams or other areas of the organization as discussed by those scholars. Although some work teams do not pass through every one of the development stages just described, understanding the stages of forming, storming, norming, performing, and adjourning will give enterprises many useful insights on how to build productive work teams. Above all, managers must realize that new teams are different from mature teams and that their challenge is to build whatever teams they are in charge of a mature, productive work team according to the authors.

## **2.1.5 Theories of Group Behavior**

Kondalkar, 2007; has developed the following theories of group behavior.

### ***2.1.5.1 Propinquity Theory of Group Behavior***

Propinquity means affiliation which may be due to spatial or due to geographical proximity. Group Behavior refers to activities, interactions and sentiments. It relates to the job that each group has to perform. The instructions for job performance are communicated to the group by way of job description, meetings, instructions by supervisors to the workers and other formal instructions that may be used from time to time. In any organization, the behavior of a group is analyzed based on 'required' behavior that refers to those actions the organization expects employees to perform effectively. The managers expect that the employees follow these instructions in letter and spirit.. Whatever be the type of behavior, each member is involved in various activities, carryout interaction with group members and develops sentiments. Activities are those behaviors when a group member is involved with other member or group to perform his duties as is laid down in the work schedule. More complex the job and critical nature of work more will be the activities involved. Activities that are required to be carried out officially with the other members of the group involve interaction. While on the contrary, members of the group display an emergent behavior. It refers to the activities the members get involved in the workplace which are of private nature and applicable to common interest of the members of the group. Group member also interact with other members on social platform, which may be called emergent behavior that relates to feelings, beliefs and values held by group members. All these activities require interaction and exchange of knowledge, knowhow and ideas to perform. More of such interactions develop a bond of friendship (or even hate) among the group members. Apart from official side there are certain impersonal side of organizational systems and process that must be promoted for better group member relationship for higher productivity and conflict free organizational work environment.

### ***2.1.5.2 Balance Theory***

Balance theory states "persons are attracted to one another on the basis of similar attitudes and common interest relevant to some object or a group goal". If due to some reason an imbalance is created efforts are made by both to restore the balance by compromising. If that does not work the relationship breaks. As long as there is a balance, the relationship lasts. Reasons for

maintaining relationship is based on common interest in politics, religion, similar life style, authority etc. In the organization interest, it is the responsibility of the manager to ensure effective functioning of the group.

#### ***2.1.5.3 Exchange Theory***

Exchange theory is based on cost-reward relationship. It should be noted that an individual joins group if a minimum positive level of outcome exists in order to establish attraction and affiliation to take place. Every individual before joining the group evaluates its outcome. If he feels that the outcome (reward) is greater than the cost he joins the group, he will form the part of the group. The cost of relationship or affiliation is measured in terms of outcome that relates to fulfillment of various levels of needs of an individual.

#### **2.1.6 Group Dynamics**

Group dynamics deals with the attitudes and behavioral patterns of a group. Group dynamics concern how groups are formed, what is their structure and which processes are followed in their functioning. Donelson,(2009) defined group dynamics as the influential actions, processes, and changes that occur within and between groups over time. Kurt Lewin (1951) described the way by which groups and individuals act and react to changing circumstances.

Successful researchers do not just develop ingenious methods for measuring and studying group processes. They also develop compelling theoretical explanations for group phenomena. Science, more than any other approach to gaining knowledge, advocates the long-term goal of increasing and systematizing knowledge about the subject matter. Theories provide the means of organizing known facts about groups and so create orderly knowledge out of discrete bits of information. Theories also yield suggestions for future research. When researchers extend existing theories into new areas, they discover new information about groups, while simultaneously testing the strength of their theories (Jayakumar & Nandagopal, 2008).

These researchers have developed hundreds of theories about groups and their dynamics. Some of these theories are relatively narrow, for they focus on some specific aspect of groups. Others, in contrast, are far broader in scope, for they offer general explanations for groups across a wide variety of times and contexts. These theories, despite their variations, often share certain basic assumptions about what processes are more important than others, the types of outcomes they

explain, and the variables that are most influential. This section reviews some of these basic theoretical perspectives on groups, but with the caveat that these approaches are not necessarily mutually exclusive.

Most theories embrace assumptions from more than one of the motivational/emotional, behavioral, systems, cognitive, and biological perspectives as elaborated as follows.

#### ***2.1.6.1 Motivational and Emotional Perspectives***

As it is revealed by a number of scholars, motivations are psychological mechanisms that give purpose and direction to behavior. These inner mechanisms can be called many things—habits, beliefs, feelings, wants, instincts, compulsions, drives—but no matter what their label, they prompt people to take action. The words motivation and emotion both come from the Latin word *movere*, meaning “to move.” Motivational approaches offer insight into a wide range of group phenomena. Emotions often accompany these needs and desires; feelings of happiness, sadness, satisfaction, and sorrow are just a few of the emotions that can influence how people act in group situations. A motivational explanation of this selectivity might focus on the role groups play in meeting people’s basic need for self-esteem. People vary considerably in their appraisal of their own self-worth; the depressed individual feels inferior, discouraged, or even worthless, whereas the narcissist is consumed with self-adoration. Most people, however, are motivated to maintain and enhance their self-esteem, and so they tend to exaggerate the role they played in their group when things go well and avoid responsibility for group failure. In consequence, group members who consider the task to be particularly important or are more invested in their group are more likely to deny blame for group failures and take credit for successes, relative to those who do not think the task, or the group’s outcomes, have implications for their self-worth (Savitsky, 2007).

Jennifer George’s (1995) theory of group affective tone takes a more emotion-focused approach to explaining group behavior. George posits that groups, over time, develop a tendency to display collective mood states. This general affective tone is not tied to any specific aspect of the group’s activities or to any one individual, but rather pervades all the group’s day-to-day activities. The group’s mood may be so taken for granted that members do not realize its influence, but George believes that positive group affect will lead to increases in a number of pro-group actions, including helping out other members, protecting the group, making

constructive suggestions, and “spreading goodwill” during interpersonal encounters (George & Brief, 1992).

#### ***2.1.6.2 Behavioral Perspectives***

Skinner’s, (1971) behaviorism perspective was based on two key assumptions. First, Skinner believed that psychological processes, such as motives and drives, may shape people’s reactions in groups, but he also believed that such psychological processes are too difficult to index accurately. He therefore recommended measuring and analyzing how people actually behave in a specific context rather than speculating about the psychological or interpersonal processes that may have instigated their actions. Second, Skinner believed that most behavior was consistent with the law of effect—that is, behaviors that are followed by positive consequences, such as rewards, will occur more frequently, whereas behaviors that are followed by negative consequences will become rarer.

John Thibaut and Harold Kelley’s (1959) social exchange theory extended Skinner’s behaviorism to groups. They agreed that individuals hedonistically strive to maximize their rewards and minimize their costs. However, when individuals join groups, they forego exclusive control over their outcomes. Groups create interdependence among members, so that the actions of each member potentially influence the outcomes and actions of every other member.

#### ***2.1.6.3 Systems Theory Perspectives***

Researchers in a variety of fields, including engineering, biology, and medicine, have repeatedly found that unique results are obtained when a system is formed by creating dependency among formerly independent components. Systems, whether they are bridges, ecological niches, organisms, or groups, synthesize several parts or subsystems into a unified whole. A systems theory approach assumes groups are complex, adaptive, dynamic systems of interacting individuals. The members are the units of the system, who are coupled one to another by relationships. Just as systems can be deliberately designed to function in a particular way, groups are sometimes created for a purpose, with procedures and standards that are designed with the overall goal of the system in mind. Groups can, however, be self-creating and self-organizing systems, for they may develop spontaneously as individuals begin to act in coordinated, synchronized ways. Just as a system receives inputs from the environment, processes this information internally, and then outputs its products, groups gather information, review that

information, and generate products. Groups are also responsive to information concerning the context in which they operate and their impact on that context, and will adapt in response to feedback about the efficacy of their actions. Just as the relaying of information between interdependent units is a key concept in systems theory, so the communication of information between members plays a central role in group systems. Systems theory suggests that parts are, to an extent, interchangeable—specific units can be swapped in and out with no discernable impact on the system—but in some cases because groups are built up of closely entwined parts they can change to an extraordinary degree when one of their constituent components changes. Systems theory provides a model for understanding a range of group-level processes, including group development, productivity, and interpersonal conflict. These processes combine to transform inputs into outputs, which include aspects of the group's performance and changes in the factors that serve as inputs to the system. If the group performs poorly, for example, it may become less cohesive, or it may seek out new members. Members of successful groups, in contrast, may become more satisfied with their group and take steps to make sure that the group uses the same procedures to solve the next problem (Ilgen, 2005).

#### ***2.1.6.4 Cognitive Perspectives***

A group's dynamics, in many cases, become understandable only by studying the cognitive processes that allow members to gather information, make sense of it, and then act on the results of their mental appraisals. When people join a group for the first time, they immediately begin to form an impression of the group. This perceptual work prompts them to search for information about the other group members, rapidly identifying those who are outgoing, shy, and intelligent. Group members also search their memories for stored information about the group and the tasks it must face, and they must retrieve that information before they can use it. A group member must also take note of the actions of others and try to understand what caused the other member to act in this way. Thus, group members are busy perceiving, judging, reasoning, and remembering, and all these mental activities influence their understanding of one another, the group, and themselves (Hinsz, Tindale, Vollrath, 1997; Hodgkinson & Healey, 2008).

#### ***2.1.6.5 Biological Perspectives***

Group members can solve complex problems, communicate with one another using spoken and written language, build and operate massive machines, and plan their group's future. But group

members are also living creatures, whose responses are often shaped by biological, biochemical, and genetic characteristics. When conflict arises in the group, heart rates escalate, and other body changes occur to help members cope with the stress (Blascovich, Nash, & Ginsburg, 1978). When groups are trapped in confining, cramped spaces, members often become physiologically aroused, and this arousal can interfere with their work (Evans & Cohen, 1987).

### **2.1.7 Factors Affecting Group Dynamics**

According to Bobbie J. & Zorka K., (2010), group dynamics is affected by but not limited to the following factors.

#### **2.1.7.1 Group Cohesiveness**

Cohesiveness defines the degree of closeness that the members feel with the group. It identifies the strength of the members' desires to remain in the group and degree of commitment to the group. Cohesiveness of the group is reflected to the extent of unity displayed by the group members and adherence to the group norms. It is "WE" feeling displayed by the members of the group. Cohesion can be achieved when there is a feeling of attraction and adherence to group norms (Kondalkar, 2007). Cohesiveness in work groups has many positive effects, including worker satisfaction, low turnover and absenteeism, and higher productivity. However, highly cohesive groups may be detrimental to organizational performance if their goals are misaligned with organizational goals.

Cohesive groups think beyond the view of individuals in a group and these enables members of a group exert pressure on each other to come to a consensus in decision making and group productivity.

As per Thye, Yoon and Lawler; (2002), cohesion is the sense of togetherness that is higher in making participants united and it strengthens the bondage of interaction of members to a group as a whole. Cohesiveness refers to the close interaction of group members for unity, feelings of attraction for each other and desire to remain part of the group. Many factors influence the amount of group cohesiveness – agreement on group goals, frequency of interaction, personal attractiveness, inter-group competition and favorable evaluation.

A group effort is expected to bring better results than the sum total of individual efforts. Studies show that outcome is not only related to group cohesiveness but also to group compliance with

organizational goals. When group cohesiveness is high and acceptance of organizational goal is high performance will be high. Similar results would be expected for low Cohesiveness and high goal acceptance although the results may not be as strong. On the other hand performance would not be expected to be high when cohesiveness is high and goal acceptance is low. In this case, group efforts will probably be directed away from organizational goals valued by the group. Finally when both cohesiveness and goal acceptance are low, efforts will probably become worthless leading to low productivity (Kondalker, 2007).

According to Bollen and Hoyle(1990) cohesion comprises an individual's sense of belonging to a particular group and his or her feeling and emotions of morale related with group membership. The more difficult it is to obtain group membership the more cohesive the group will be. Groups also tend to become cohesive when they are in intense competition with other groups or face a serious external threat to survival. Smaller groups and those who spend considerable time together also tend to be more cohesive.

Cohesiveness of a group can produce miracles in the organization if group objectives and organizational objectives are complementary to each-other. If they differ then the group cohesiveness can be disastrous for the organization. If the organization and the group can subscribe to the common goals, then the high cohesive group will be valuable. In such situation required and emergent behavior of the group becomes identical. But if group does not subscribe to the organizational goals then the cohesive group will be detrimental to the organization's goal. In this situation required and emergent behavior are incongruent and cohesive group become dysfunction to the organization. It is therefore important for a manager to use group cohesiveness to the best advantage of the organization by identifying group member goals and aligning the same with organizational goals (Kondalker, 2007).

#### ***2.1.7.2 Group Communication***

Communication involves an observable interchange of information and subtle interactions of power, attitudes and values (Loxley 1997). Effective teams require reliable communication processes, with clearly defined responsibilities and appropriate delegation (Husting 1996). Individuals need to listen frequently to each other and collaborate in order to develop mutual knowledge, which enhances communication. Joint decision making and formal and informal interchanges can also enhance communication. As a major form of communication, meetings

need to have clear agendas, and be managed so that all members contribute (Loxley 1997). In addition, clear two-way communication channels across team boundaries and with the organization ensures the relevance of the team's functioning.

#### ***2.1.7.3 Group Participation***

Once a high level of cohesiveness is achieved each member develops a sense of belonging to the group. Members crave to be intensely involved in group activities and develop an intimate relationship with each member and consider the group as a family. The members' participation gives an opportunity to fulfill social needs (Kondalker, 2007).

#### ***2.1.7.4 Group Trust***

According to Zechary W., building trust is one of the most desired behaviors for successful teams. It is the core of any relationship. Trust is a personal belief and faith that people have in each other.

Trust is the belief that team members can count on each other to perform and support the common goals of the team. It is the inherent confidence that people have in each other based on shared values, demonstrated behaviors, and mutual experiences. Therefore, trust is earned through the interactions and behaviors of people on the team which comprises; believing in each other's abilities and commitments doing what you said you were going to do having faith that you will keep the interests of the team ahead of your own and if not, have the faith that others will speak up when you are unable to do so, recognizing others for their contributions, freely sharing information and knowledge, giving authority to others to make decisions on behalf of the team, a willingness to forgive others, seeking solutions rather than seeking blame and standing by the decisions and actions of the team(Zechary W., 2007).

Zechary W., has also defined trust as it is a core belief that develops first between two or three people and grows within a team. For team trust to occur, a critical mass of people must feel that way. People feel safe to speak up, take actions, share information and feelings, and consistently work hard for each other. Trust elevates a team to perform at a higher level. One of the best things that a team can do to build trust is to get to know each other as individuals. Believing in people takes a deeper understanding of which they are, what motivates and demotivates them, and how they like to be treated. Individualism needs to be respected in order to operate well as a

team. Mutual trust diminishes when any team members show low accountability or commitment to the team.

#### ***2.1.7.5 Group Empowerment***

Empowerment is defined as “a process that enhances intrinsic work motivation by positively influencing impact, competence, meaningfulness and choice” (Thomas K. & Velthouse B. 1990). Empowered people believe that they are competent, and valued, that their jobs have meaning and impact and those they have opportunities to use their talents. Brown and Brown define the process of empowerment as “the orientation of all forces, values, and beliefs which determine human behavior in organizations so that the support and liberate the individual rather than reduce their range of thought and action.”(Randolph W., 1995). He believes that empowerment is not just “giving people the power to make decisions”. He holds that they already have the power to make intelligent decisions to help the company operate more effectively. He defines “empowerment as recognizing and releasing into the organization the power, which the people already have in their wealth of useful knowledge and internal motivation.” Empowerment is the authority to make decisions within one’s area of operations without having to get approval from anyone else.

Although empowerment has a number of benefits for companies, its stockholders or members, the employees who work in it, its customers who benefit from its goods and services, and the society within which it operates, there are, nevertheless, a number of ambiguities which are associated with empowerment and which must be well managed if both negative consequences are to be avoided and morally appropriate behaviors are to be encouraged (Jeffrey G. and Frederick G. 1996). These ambiguities can be; change and dislocation incorporating change in roles, responsibilities, required skills and behaviors that may be difficult or impossible for people to make, workforce adjustment or reduction in the workforce resulting from empowerment, restructuring organizations and irresponsible use of power for personal gain or performing lower quality or quantity of work to the detriment of other stakeholders or members and the empowerment paradox which involves using "empowerment" to disempower people through cooptation into a group that represses disagreement."

While some will welcome these changes come through empowerment practices, others may resist because they fear loss of authority, loss of control, loss of their jobs, exposure of their

previous felt-inadequacies to more senior management, or simply because they don't understand or want what is happening or why it is necessary Yet others will resist change because they are not sure that they are equipped with the required behaviors (Kotter and Schlesinger, 1979).

## **2.2 Review of Empirical Literature**

### **2.2.1 Group Dynamics and Its Effect on Performance**

The findings by Sharma & Bajpai (2014) found that group level variables significantly and positively affects group performance. Anticipating and predicting each other's needs, team goals, individual team member tasks and the coordination of the team through a common understanding and expectations of performance, group leadership helps in enhancing group performance and effectiveness(Salas, 2008). Attraction between members of a group and with groups enhance their job satisfaction as well as their productivity (Carron, 2002). A strong belief in group's effectiveness largely contributes in creating a positive interpersonal climate and greater cooperation among group members which will further enhance the overall group performance.

According to Sorge and Warner, (1997), informal groups can exercise undesirable power over individual members and argue that: Informal groups create confusion and inefficiency within the organization and the existence of large number of informal groups negatively influences outcomes to organizations.

Furthermore, Spataro, (2004) revealed that groups set production limits for its members fearing that management might use an outstanding worker as a standard for output and that increased productivity might lead to some workers being laid off which further diminishes organization performance.

The results of empirical researches undertaken on group variables comprising cohesion, communication, trust, participation, empowerment and its influence on performance is elaborated in the succeeding section.

Group cohesiveness is considered to be one of the most important group variables and is generally linked to organizational performance. Therefore, research on the organizational performance would be inappropriate without focusing this variable (Mohad, Rosli, 2012, Tan & Selvarani, 2008).

The results from studies made by Mohd. & Rosli B.,(2012) showed that group cohesiveness significantly related to the organizational performance. The degree of cohesiveness among members determines the success of organization's performance in stirring toward its future direction. The study also highlighted the need for future empirical research on group cohesion and performance in others context (Mohd . & Rosli B., 2012).

(Braaten, 1991) after the analysis of major theoretical reviews and most available controlled, empirical studies has announced three conditions groups better practice to enlarge their cohesion i.e. pre group conditions of cohesion involves; selection of suitable participants , balanced composition of the group, training, and contracting and early group conditions comprises the use of; resolving conflict, constructive norming and culture building, effective orientation, reducing avoidance and defensiveness and the last in group dimensions of cohesion includes; attraction and bonding, support and caring, listening and empathy, self-disclosure and feedback, process performance and goal attainment attraction and bonding; support and caring ; listening and empathy; self-disclosure and feedback; and process performance and goal attainment which have of great value to groups and significantly affects performance positively.

The next which dictates how communication could relate to performance is empirically tested by researchers. Accordingly, the core finding when comparing individual and group results for the major experiments in behavioral economics is that groups are more rational deciders overall (Kugler, 2012). By overcoming cognitive limitations, groups are shown to be “less behavioral than individuals” (Charness and Sutter, 2012) and thus regularly closer to theoretically rational solutions. This is interpreted as a vindication of the assumptions on rational behavior for the prediction of real world economic decision making. By incorporating group cooperation in economic contexts, behavioral research has come to reflect the team decision making prevalent within most organizations (Kugler ,2012). Communication is the most vital element of any organization. Without communication an organization would only be an assembly of men, material and processes which are inoperative. Organizational effectiveness depends upon the quality of communication. It is communication which gives life to organizational structure. It is a thread that holds all the units, sub units, processes, systems, culture together. If communication stops, the organization will cease to exist. Communication is vital for the very existence of the organization.

Oyetunde & Oladejo (2012) in a study titled “communication approach and firms performance: appraisal of Nigerian Bottling Company (Coca- Cola), Ilorin-Nigeria” submitted that research findings no doubt have validated the relationship between communication approach and efficient performance. They also recommended on the basis of their findings that there can still be more room for improvement and consequently better performance if management embraces; more clarity of ideas before attempting to communicate; better understanding of the physical and human environment when communicating; a thorough analysis of the purpose of communication.

In clarifying the effect of communication, Shanubai A & Akintaro A. have said that if you look at the most successful business people in the world, you will see people who have mastered the art of communication. Effective organizational communication plays an important role in this challenge. Business all over the world today is very challenging. To stay profitable in the highly challenging and competitive global market economy all factors at production, should be wisely managed. Among the factors of production, human resource constitutes the biggest challenge because unlike inputs, employee management demands skillful handling of thoughts, feelings and emotions to secure highest productivity. Communication has a significant positive effect on performance and is crucial for work groups in that organizational communication is a channel to flow information, resources, and even policies (Shonubi,A. & Akintaro,A., 2016 ).

The result of the study (Asamu F., 2014) reveals that a relationship exists between effective communication and workers’ performance, productivity and commitment. The study recommended that managers will need to communicate with employees regularly to improve workers commitment and performance.

There are a number of studies which indicates that trust leads to significantly better performance (Ciancutti & Steding, 2001; Ward & Smith, 2003; Bell & Cohn, 2008) which is explained in terms of better quality, cost, flexibility, or speed. Moreover, for organizational members to be effective in sustaining focus and following standards they must develop trust about their organization, which induces them to organizational commitment and develop performance. Organizational trust creates the advantage in terms of innovation and increased operational efficiency, which taken together lead to an improved market position. Firms with higher organizational trust levels seem to be better at innovativeness and operational efficiency. Such aspect suggests that trust plays different roles in various types of learning, with the greatest

influence at the exploration stage. In turn, the latter implies that organizational trust should have different importance for different types of companies, and further sectors (Sankowska A., 2016).

Although in many researches explained as trust has significant benefit in improving organization performance; Wicks, Berman, and Jones, (1999) discussed that over investment on trust is significantly costly in that firms fails to do a balance between trust and interdependence and failing to do it declines performance.

The other variables – Participation is also studied for their effect on performance and discussed as follows.

Participation in group activities is important as it leads to more frequent interaction between group members. Success in group activities also brings cohesiveness as each of the participants feels that he has been the contributor for achievement of group goals. Once a high level of cohesiveness is achieved each member develops a sense of belonging to the group. Each member craves to be intensely involved in group activities and also develops an intimate relationship with each member and considers the group as a family. The members' participation gives an opportunity to fulfill social needs and achieve group goals (Kondalker, 2007).

Research in organizations often takes the view that participative and collaborative task group problem solving processes raise perceived role clarity, enhance affective responses to work and improve organizational functioning. As a result, a variety of research efforts have assessed the consequences of cooperative group processes on work attitudes and performance. However, little research has been conducted which attempts to isolate predictors of collaborative problem solving processes in task groups (Kondalker, 2007).

On the other side, (Mitch D., Tim M, Carolyn A. and Dave P.; 2005) have revealed that group size affects group participations and group participation could positively affect organization performance mostly when the size of the group is small up to 10 members in that, in small-group collaborations each participant gets more opportunity to speak, and conversation rather than just raising points occurs more often as a result.

Organizations with large-group also allow less time for questions and clarifications from each participant, and hence more tolerance for ambiguity until their unanswered questions are resolved by the group (Mitch D. et al, 2005). They have discussed that participation negatively

affects performance in case groups are organized in large size and then the increment in size has hinders performance as it bridle members interactivity.

Aram and Morgan, (1976) showed that participation in problem solving is a group process variable which indicates the amount of coercion or cooperation in collective problem solving existing in a task group. As noted in Aram's. research, collaborative problem solving is a specific group decision making approach characterized by a strong risk orientation and participation. Their research indicated that collaborative problem solving was positively related to several facet satisfactions and they also found that knowledge-based risk taking was positively related to individual, group and organizational performance.

What is ascertained by Donelson is that, even though making a decision in a group offers a number of advantages over making a decision alone in that groups with their greater informational resources and capacity to process that information may be able to identify better solutions and to detect errors in reasoning; group decisions can take more time than people wish to give to them, and so groups too often sacrifice quality for timeliness. Some issues, too, are so trivial, so convoluted, or so contentious that a group approach may end in failure (Donelson, 2010).

Empowerment the other group variable is tested empirically for asserting its effect on performance. Practitioners view empowerment as a tool to encourage workers to think for themselves about the requirements of the job, and to move beyond blindly doing what they are told (Thorlakson & Murray, 1996). Empowerment involves learning how to take the initiative and to respond creatively to the challenges of the job (Quinn & Spreitzer, 1997). More specifically, these scholars argued that both formal job characteristics and informal alliances affect the ability of employees to accomplish their work. Similarly, organizational mobility and the possibility for personal growth influence job accomplishment. These factors together determine the degree to which a person feels empowered. According to these scholars empowered employees are generally more satisfied with their job and have a significant effect on organization's performance.

As a growing concern, empowerment facilitates fuller application of human potential, commitment of people to organizational goals and innovative response to unexpected company

problems (Brown and Brown, 1995). Therefore, it is ascertained that empowerment positively affects and is considered as a prerequisite to the survival of the business in the emerging marketplace and an indispensable device for accomplishing a competitive edge in a globalized and a liberalized economy (Goski and Belfry, 1991).

On the other side, (Heather K. et al, 2004) have discussed that empowerment should be practiced considering the differing nature of occupations. This is because; in some jobs employees are expected to follow orders and failing to obey and go in line with diminishes performance. For example, soldiers are trained to follow orders, especially during wartime, could be devastating. Similarly, driver is expected to take passengers to the agreed upon destination, and a civil servant is 'follow the rules' mandated by their government. But still, workers within each of these groups likely to be satisfied with the job if he or she has the resources to do the job(Laschinger, H. K. S., & Wong, D., 1999).

According to Scott E. et al, (2004), work-unit empowerment climate is positively related to work-unit performance outcomes and empowerment mediates the effects of empowerment climate on job satisfaction and is a link in a relationship between empowerment climate and job performance. The high level of within-group agreement in employee perceptions of empowerment climate suggests that these perceptions are important understandings that work-unit members share concerning organizational structures, policies, and practices related to empowerment.

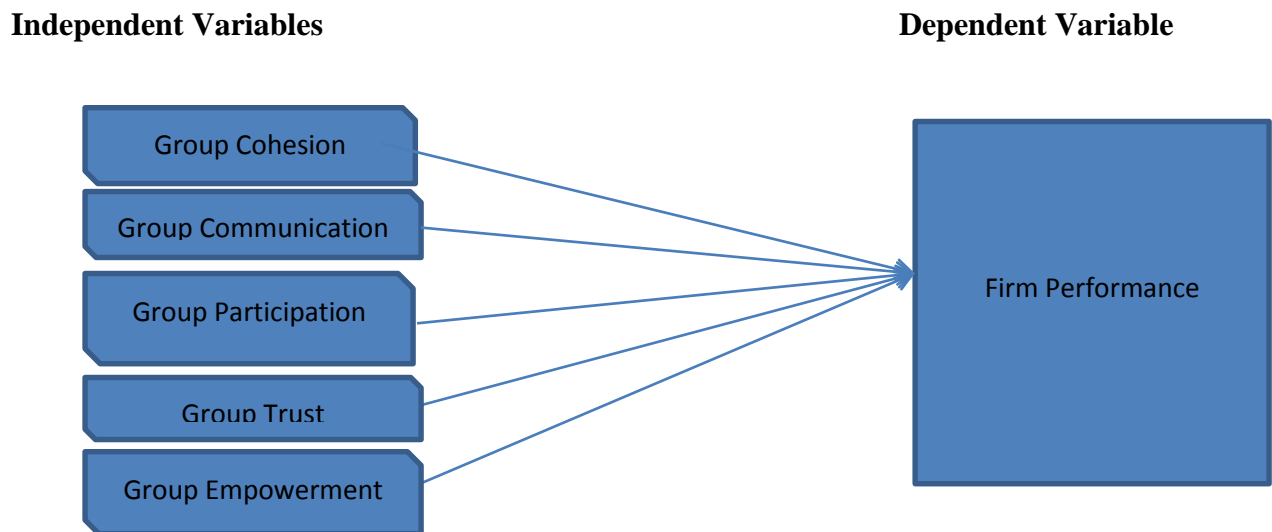
### **2.3 Conceptual Framework**

Different scholars have developed models used to establish constructs of group dynamics and measure the effect of these constructs on performance of micro and small enterprises. Among these, a model by Malgorzata M. (2014) taking effect norms, cognitive conflict, use of knowledge and skills, cohesive ness and leadership as independent variables and TMTs effectiveness as a dependent variable, again Carpenter M. (2009) has also used education, work experience and tenure as independent variables to measure the effect of team heterogeneity and firm performance, Pegeles C., Song Y. and Baik Y., (2000) have also employed group variables including TMT age, education level, functional background and group heterogeneity to measure firm performance. But, these and other models developed by different scholars have certain limitations. The model by Malgorzata (2014) for example failed to clearly show which variable

and to what extent IV'S affect TMTs effectiveness although the author used a cronbach alpha for checking the reliability of those variables, the other two models listed above also failed to measure the reliability and to specify; either the variables they have used are the only dimensions determining firm performance and TMTs effectiveness respectively or those variables are fully investigated by other researchers.

For the purpose of this study, a model developed by Bobbie J. & Zorka K. (2010) is employed which they have stated that group dynamics can be conceptualized as falling into the following interrelated categories: participation, communication, trust, cohesion and empowerment. This is because; constructs are measured for reliability using a cronbach alpha, the effects of these variables on performance is well articulated, clear dimensions are set to measure each variable and finally it is impractical to go through all the group variables suggested by researchers that affect performance. Therefore, the study goes to investigate the effect of these independent variables on performance of micro and small enterprises which is considered as a dependent variable.

The conceptual framework is depicted diagrammatically as follow;



**Source;** adopted from a model (Bobbie J. & Zorka K., 2010).

**Figure 1: Conceptual Frame Work**

## **2.4 Operationalization and Conceptualization**

The theoretical framework of this research which is developed after in depth analysis of the contemporary and classical literature on group dynamics conceptualizes group cohesion, group communication, group participation, group trust, group collaboration and group empowerment as independent factors to the performance of the MSEs. The conceptualization - definition of variable of the study and operationalization - how the variables of the study are measured is depicted below in table 1.

### **2.4.1 Conceptualization: conceptual definition of variables**

#### **Group cohesion;**

Refers to the level of attraction members of the group have to themselves and to the group as a whole. It is expressed in the strength of positive attitudes members have to group members for the sake of acquiring mutual benefit.

#### **Group Trust**

Trust in a group is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the one who trusts, irrespective of the ability to monitor or control that party. Trust in a team context is the belief that team members have good intentions as well as having confidence in the capability and character of team members.

#### **Group Participation**

Participation is the contribution made by members to help the firm grow which could be achieved through a prior trust and cohesion in groups.

#### **Group Communication**

Communication involves an exchange of information and subtle interactions of power, attitudes and values between group with clearly defined responsibilities and appropriate delegation. It is also the interchanges of information that helps to develop shared knowledge which could be improved by group decisions made by members.

#### **Group Empowerment**

Empowerment is the process of encouraging group members to come up with ideas that can benefit the enterprise and initiating members to achieve enterprise's goals. It involves allowing members take part in developing performance of the enterprise.

## Enterprise Performance;

Enterprise Performance involves the success or failure of an enterprise due to measures of group dynamics according to this research.

### 2.4.2 Operationalization: how the constructs of the study are measured

Group cohesion, group communication, group participation, group trust, and group empowerment the predictor variables of the study and enterprise performance the outcome variable are operationalized as follows.

**Table 1:** operationalization and conceptualization of the research constructs

Construct/variable	conceptualization	Operationalization	Role of the /construct variable
<b>Group participation</b>	Refers to the involvement of members in group tasks and creating sound relationship between themselves.	Measured in five point likert scale considered to be interval scale defined as 1:Strongly Disagree, 2:Disagree 3:Neutral 4:Agree, 5:Strongly agree	Predictor(independent)
<b>Group communication</b>	refers to the process of creating common understanding in between communicating parties or group members	Measured in five point likert scale considered to be interval scale defined as 1:Strongly Disagree, 2:Disagree 3:Neutral 4:Agree, 5:Strongly agree	Predictor(independent)
<b>Group cohesiveness</b>	Group cohesion refers to the extent to which the members of a group find staying together to be in mutual interest	Measured in five point likert scale considered to be interval scale defined as 1:Strongly Disagree, 2:Disagree 3:Neutral 4:Agree, 5:Strongly agree	Predictor(independent)
<b>Group trust</b>	Trust refers to the belief that team members have good intentions as well as	Measured in five point likert scale considered to be interval scale defined as	Predictor(independent)

	having confidence in the capability and character of team members.	1:Strongly Disagree, 2:Disagree 3:Neutral 4:Agree, 5:Strongly agree	
<b>Group empowerment</b>	Empowerment refers to the perception that group members feel they can contribute for group decisions and overall enterprise development	Measured in five point likert scale considered to be interval scale defined as 1:Strongly Disagree, 2:Disagree 3:Neutral 4:Agree, 5:Strongly agree e	Predictor(independent)
<b>Enterprise performance</b>	Refers to growth of the performance in terms of its profit, market share, capital base etc. of the enterprise	Measured in five point likert scale considered to be interval scale defined as 1:Strongly Disagree, 2:Disagree 3:Neutral 4:Agree, 5:Strongly agree	Outcome(dependent )

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Approach**

The study utilized a quantitative research approach. The reason for choosing this approach includes; it provides a data that is descriptive, it relatively saves time to conduct the research, it is possible to gather large amount of data from large number of respondents and quantitative research have high statistical power which allows to acquire objective results unlike qualitative research approach which is concerned with subjective assessment of attitudes, opinions and behavior. As (Kothari,2004) claimed that quantitative research involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion unlike qualitative research.

It is employed because; it allows respondents to answer the same set of questions in a predetermined order and enable to get the direct response and feedback from the respondents in short period.

#### **3.2 Research Design**

A survey of cross sectional research design is employed in the research to examine group dynamics and its effect on performance of Micro and Small Enterprises. The reason for using this design is that it enables to investigate the effect of independent variables on the dependent variable at one point in time which is revealed by (Anol, 2012) i.e. the effect of group dynamics on performance of MSEs in this case. This study basically undertakes a cross-sectional study, which aims at searching out the prevalence of a situation or problem by taking a cross-section of the population at one time.

The study follows a positivist approach aiming at testing the hypothesis or theory through a deductive way i.e. generalizations were made on the basis of what the theory and data analysis said on group dynamics and its effect on MSEs performance.

### **3.3 Sampling Design**

#### **3.3.1 Target Population**

Target population refers to the entire group of people that the researcher wants to investigate or it is the population to be studied. All MSEs established and operating in five sectors of the economy comprising; manufacturing, construction, town agriculture, service and trade sectors in the selected site were considered as a target population. Accordingly, the target populations of this study were 86 MSEs formed in group basis in the five priority sectors including manufacturing, construction, town agriculture, service and trade with members of 2-10 operators engaged in each enterprise in the selected study area (Simada Woreda Technical, Vocational and Enterprises Development Office, 2018).

#### **3.3.2 Sample Size and Sample Selection Method**

The units of analysis in this study are MSEs operating in group or generally groups. Hence, analysis is made based on enterprises engaged in the five sectors which are established in group and the data is collected from the whole enterprises which are operating in Simada Woreda. This is because, those enterprises are small in number to take a sample from them and on the other hand, the result will be the most representative.

Again, data collection units were managers in the MSEs who are doing business as a member of MSEs formed in group basis assuming that they are considered as a representative of the enterprise they are from.

#### **3.3.3 Sampling Technique**

As it was possible to address the total number of enterprises established in group basis in the study area, there is no need to employ a specific sampling technique and data was collected from the whole target population under study.

### **3.4 Data Collection Methods, Instruments and Procedures**

#### **3.4.1 Source of Data**

Source of data for the study is primary data. The primary data is collected from managers of micro and small enterprises operating in groups using questionnaire. The major advantage of primary data collection is that it can be collected with the research's purpose in mind. The

information resulting from primary data is more consistent with the research questions and purpose.

### **3.4.2 Data Collection Methods and Procedures**

The proposed data collection technique for this study is questionnaire. This is because; as the research design is cross sectional, it enables to collect data at one point in time from a number of respondents and for collecting the data five point likert scale is utilized. The questionnaire was tested prior to the whole distribution to ensure its validity and reliability.

## **3.5 Measurement of Variables**

### **3.5.1 Independent Variable Measures**

In this study the independent variable is the perceived effect of group dynamics of Simada woreda micro and small enterprises with five dimensions. These are group participation, group communication trust, group cohesion and group empowerment (Bobbie J. & Zorka K., 2010).

- **Group participation** - refers to the involvement of members in group tasks and creating sound relationship between themselves.
- **Group communication** - refers to the process of creating common understanding in between communicating parties or group members.
- **Group cohesiveness** - Group cohesion refers to the extent to which the members of a group find staying together to be in mutual interest
- **Group trust** - Trust refers to the belief that team members have good intentions as well as having confidence in the capability and character of team members.
- **Group empowerment** - Empowerment refers to the perception that group members feel they can contribute for group decisions and overall enterprise development.

Different scholars have developed models used to establish constructs of group dynamics. Among these, a model by Malgorzata M. (2014) taking effect norms, cognitive conflict, use of knowledge and skills, cohesive ness and leadership as independent variables to measure group dynamics, Pegeles C. et. al., (2000) developed TMT age, education level, functional background and group heterogeneity to measure firm performance. But, these and other models developed by different scholars were criticized for limitations. The model by Malgorzata (2014) for example was criticized in that it failed to clearly show which variable and to what extent those dimensions measures although the author used a cronbach alpha for checking the reliability of those

variables, the other two models listed above were also criticized also failed to measure the reliability and to specify; either the variables they have used are the only dimensions determining firm performance and TMTs effectiveness respectively or those variables are fully investigated by other researchers.

### **3.5.2 Dependent Variable Measures**

In this study the dependent variable is performance of micro and small enterprises in Simada Woreda measured by the profits levels earned in relation to the industry average, consistent increase in the market share and the satisfying power of products and services provided or rendered by micro and small enterprises in Simada woreda.

The equation of multiple regressions on this study is generally built on the set of variable, firm performance(FRMP) as dependent variable and group participation(PAR), group communication(COM), trust(TRS), group cohesion (COH) and group empowerment(EMP) as independent variables of group dynamics.

#### **Model specification:**

$$FRMP = \beta_0 + \beta_1 PAR + \beta_2 COM + \beta_4 TRS + \beta_5 COH + \beta_6 EMP + e \text{ (Group Dynamics)}$$

Where:

FRMP = Firm Performance

$\beta_0$  = Constant Term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  = Beta coefficients

PAR = Participation

COM = Communication

TRS = Trust

COH = Cohesion

EMP = Empowerment

e = error term

### **3.6 Data Analysis Methods**

To analyze the data, both descriptive and inferential analysis techniques were employed.

**Descriptive analysis-** was used to measure the distribution of the data collected across the Demographic variables, independent and dependent variables and presented by tables, frequency distributions and percentages to analyze the demographic characteristics of respondents. This was achieved through summary statistics, which includes the mean values and percentages which were computed for each variable in this study.

**Inferential analysis** – was the second data analysis technique employed and through this; correlation analysis is undertaken to measure the relationship between group participation, group communication, trust, group cohesion and group empowerment with MSEs performance. Multiple linear regression analysis – the other category of inferential analysis is also conducted to show the degree of relationship between various types of variables and to identify the best predictor variables of change in the dependent variables. In addition, it is also conducted to examine the effect of predictors (group participation, group communication, trust, group cohesion and group empowerment) over the outcome (MSEs performance).

### **3.7 Validity and Reliability Test**

#### **3.7.1 Test of Validity**

Validity is the extent to which a measure adequately represents the underlying construct that it is supposed to measure, Bhattacharjee A., (2011).

For the purpose of this study, in order to ensure the validity, first a standard questionnaire was employed which is adopted from (Bobbie J. & Zorka K., 2010) in their studies of Group Dynamics and secondly, a pilot test was conducted for 10 respondents to test the questionnaire before administering the final phase. Finally, the improved version of the questionnaires was printed, duplicated and dispatched.

#### **3.7.2 Test of Reliability**

According to (McMillan and Schumacher, 1993) reliability refers to the consistency of measurement, which is, the extent to which the results are similar over different forms of the same instrument or occasions of data collecting.

To check the reliability of the instruments Cronbach alpha reliability coefficient was utilized which is depicted in the following table.

**Table 2: Reliability Statistics**

<b>Variables</b>	<b>Cronbach's Coefficient</b>	<b>Alpha</b>	<b>Number of Items</b>
Firm Performance	0.865		3
Group participation	0.921		4
Group communication	0.900		3
Trust	0.872		3
Group cohesion	0.862		3
Group empowerment	0.875		3

Source: Survey Data (2018)

### **3.8 Ethical Considerations**

The research will be conducted taking the following ethical issues in to account. Firstly, respondents will be communicated on the purpose of the study and will be informed that the information will not be transferred to a third party or will not be used for any other purpose other than this study. Respondents will be communicated that they will respond only when they are informed and willing to do that. Finally, sources used for this research project will be acknowledged properly.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1 Response Rate

For the purpose of this research, questionnaires were distributed to 34 respondents and the response rate is displayed in the table below.

**Table 3: Response rate of the respondents**

Items	Response rate	
	No.	Percent
Distributed Questionnaire	86	100%
Collected Questionnaire	83	96.5%
Uncollected	3	3.4%

**Source: Survey Data (2018)**

As depicted in table 3 above, almost all the distributed questionnaires were collected and only 3(3.4%) questionnaire remained uncollected. The reason for this is that; the researcher has distributed and collected the questionnaires after detailed clarification of its significance to respondents directly and through enumerators, number of respondents were small which enables to address them although most of them are distributed sparsely in different sub towns of the study area and data were collected from managers in that they have responsibilities to be presented in the firm for a long time than other members.

#### 4.2 Demographic Characteristics of Respondents

For this study, the questionnaire covered demographic characteristics of the respondents such as Age, Gender, Number of years the firm stays in the current business, Type of organization, Number of members, Educational status of the manager which are useful in order to make the analysis more meaningful for the readers and to make analysis from different perspectives. The personal data helped contextualize the findings and the formulation of appropriate recommendations.

**Table 4: Statistics of Demographic Characteristics of Respondents**

Statistics							
		Sex of respondents	Age of respondents	Number of years the firm stays in the current business	Type of organization	Number of members	Educational status of the manager
N	Valid	83	83	83	83	83	83
	Missing	0	0	0	0	0	0
Mean		1.29	1.23	2.88	3.17	4.83	6.13
Std. Deviation		.456	.423	1.721	1.238	1.681	.600
Minimum		1	1	1	1	2	5
Maximum		2	2	8	5	10	7

Source: Survey Data (2018)

#### 4.2.1 Age of Respondents

As it is indicated in the table below, in terms of age groups, out of 83 respondents 64(77.1%) were between age 20-30 years and the rest 19(22.9%) were between 30-40 years. The result indicated that most of the job seekers and entrepreneurs are in the ages between 20-30 years of old in MSEs of the study area.

**Table 5: Age of Respondents**

#### Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30	64	77.1	77.1	77.1
Valid 30-40	19	22.9	22.9	100.0
Total	83	100.0	100.0	

Source: Survey Data (2018)

#### 4.2.2 Sex of respondents

As shown in the table below, of the 83 respondents participated, 24 (28.9 %) reported their gender as female and 59(71.1%) as male. The result indicates that, most of the members and managers in MSEs in the study area were male which clues the Woreda administrative and other

stakeholders' take part in solving the problem and take measures to narrow the gap between the number of males and female entrepreneurs in the future.

**Table 6: Sex of respondents**

**Sex of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	59	71.1	71.1	71.1
Valid Female	24	28.9	28.9	100.0
Total	83	100.0	100.0	

Source: Survey Data (2018)

**4.2.3 Number of years the firm stays in the current business**

The study also encompasses the number of years the firm stays in the current business. Accordingly, most firms were established in the recent years i.e., 23(27.7%), 24(28.9%), 16(19.3%), 11(13.3%), 5(6%), 4(4.8%) of firms were established in the near 3, 2, 1, 4, 6, and 8 years respectively. This implies that, MSEs were mostly formed in individual than group basis and group based enterprises are being established in the closest years due to the prioritization program by the government.

**Table 7: Number of years the firm stays in the current business**

**Number of years the firm stays in the current business**

	Frequency	Percent	Valid Percent	Cumulative Percent
1	16	19.3	19.3	19.3
2	24	28.9	28.9	48.2
3	23	27.7	27.7	75.9
Valid 4	11	13.3	13.3	89.2
6	5	6.0	6.0	95.2
8	4	4.8	4.8	100.0
Total	83	100.0	100.0	

Source: Survey Data (2018)

#### 4.2.4 Type of organization

As depicted in the table below, firms are organized in that; 9(10.8%) accounts for manufacturing, 14(16.9%) accounts for both construction and service sectors. The rest 30(36.1%) and 16(19.3%) of firms were organized as town agriculture and trade sectors respectively. Thus it is concluded that, in the study area MSEs were organized mostly on town agriculture sectors that could enable to create large number of jobs and earn better profit in a short period compared to other development sectors like manufacturing and construction followed by trade which could not contribute better job opportunities and national economic development as it does not involve value adding activities which has 19.3% share.

**Table 8: Type of organization**

Type of organization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	9	10.8	10.8	10.8
	Construction	14	16.9	16.9	27.7
	Town agriculture	30	36.1	36.1	63.9
	Service	14	16.9	16.9	80.7
	Trade	16	19.3	19.3	100.0
	Total	83	100.0	100.0	

Source: Survey Data (2018)

#### 4.2.5 Number of members

Analysis of number of members in a firm is carried out and the results are displayed in the table below. Hence the frequency and percentage of the number of members in enterprises formed in group basis comprises that 41(49.4%) of MSEs were formed having 5 members, 13(15.7%) with 6 members, 12(14.5%) with 2 members, 6(7.2%) of MSEs with 4 members 4(4.8%) each with 3 and 7 members, and finally 3(3.6%) MSEs with 10 members. This indicates that, most group based enterprises are organized in members of 5 and 6 operators.

**Table 9: Number of Members in the Enterprise**

<b>Number of members</b>		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	12	14.5	14.5	14.5
	3	4	4.8	4.8	19.3
	4	6	7.2	7.2	26.5
	5	41	49.4	49.4	75.9
	6	13	15.7	15.7	91.6
	7	4	4.8	4.8	96.4
	10	3	3.6	3.6	100.0
	Total	83	100.0	100.0	

Source: Survey Data (2018)

#### 4.2.6 Educational status of the manager

Analysis of the respondents based on educational status of the manager is done and the results are given as follows. Table 10 shows the grouping of the respondents as per their educational status. The number of respondents in each category is tabulated with their frequency and percentages. As shown in the table below, it is observed that among the respondents 52(62.7%) of them are TVET and college completers, 21(25.3%) are degree holders and the rest 10(12%) have completed elementary education. Thus it is concluded that, majority of members and managers among them accounts for TVET and college completers (62.7%) followed by degree holders (25.3%). Table 10: Educational status of the manager

<b>Educational status of the manager</b>		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Elementary	10	12.0	12.0	12.0
	TVET & college completers	52	62.7	62.7	74.7
	Degree	21	25.3	25.3	100.0
	Total	83	100.0	100.0	

Source: Survey Data (2018)

### 4.3 Analysis of Descriptive Statistics

Descriptive analysis is conducted on the whole data set for variables in order to understand its nature and types of distribution (mean, and standard deviation) of the respondents.

One statistical approach for determining equivalence between groups is to use simple analyses of means and standard deviations for the variables of interest for each group in the study as suggested by scholars. The mean indicates to what extent the sample group on average agrees or does not agree with the different statement. The lower the mean, the more the respondents disagree with the statement. The higher the mean, the more the respondents agree with the statement. The standard deviation indicates the distribution of observations around the mean, expressing a quantity by how much the members of a group differ from the mean value for the group and represents the degree of consistency and similarity among respondent responses. The researcher focused on interpreting the value of mean and standard deviation in line with the general concepts.

**Table 11: Descriptive Statistics**

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Firm performance	83	1.00	5.00	3.5261	1.00693
Group Participation	82	1.00	5.00	3.5427	1.12615
Group Communication	83	1.00	5.00	3.7068	1.12546
Group Empowerment	83	1.00	5.00	3.5382	1.14744
Trust	82	1.00	5.00	3.5163	1.12354
Group Cohesion	83	1.00	5.00	3.6506	1.05268
Valid N (listwise)	81				

Source: Survey Data (2018)

Based on Table 11 above, group communication has the highest mean score of 3.7068, which is the highest among the other group variables. This result indicates that most respondents perceived their firm has been empowering members. The second group variable which is perceived by respondents is group cohesion which has a mean score of 3.6506. The third group variable which is perceived by respondents is group participation which has a mean score of

3.5427. The next group variable ranked fourth with the mean value of 3.5382 is group members' empowerment and lastly, compared to other group variables the least group variable perceived by the respondents is trust which has a mean value of 3.5163. Firm performance accounts for a mean score of 3.5261 which is above average.

From the data collected, most respondents from the study have perceived their enterprise have a high level of group communication and all mean score of independent and dependent variables has above average mean scores which shows the agreement and dis agreement levels on the basis of the questionnaire distributed.

#### **4.4 Relationship Analysis**

As it is depicted in the coming table(12), Pearson correlation(r) analysis is used to find out whether the dependent variable firm performance is correlated with each independent variable which includes group participation, group communication, trust, group cohesion and group empowerment, or not. Correlation (r) is a parametric technique which gives a measure of the strength of association between any two variables. Cohen (1988) has suggested the following guidelines: the correlation value  $r = 0.10$  up to  $0.29$  is characterized by weak relationship; the correlation value  $r = 0.30$  to  $0.49$  is said to be there is medium correlation and correlation value  $r = 0.50$  to  $1.0$  shows there is strong relationship among dependent and independent variables. If there is too much correlation, value greater than  $0.9$ , it means there is absolute correlation and significant less than  $0.05$  is significant and above  $0.05$  values is insignificant. "Pearson's correlation is the ratio of the variance shared by two variables" (Cramer, 1998, p. 137). Thus, the correlation analysis is conducted to know the relationship between group dynamics and performance of MSEs in the study area.

For the purpose of this study, the relationship between performance of micro and small enterprises with group dynamics variables including; group participation, group communication, trust, group cohesion and group empowerment is depicted in the following table with its implications.

**Table 12: Relationship between variables**

		<b>Correlations<sup>b</sup></b>					
		FRMP	PAR	COM	EMP	TRS	COH
FRMP	Pearson Correlation	1					
PAR	Pearson Correlation	.842	1				
	Sig. (2-tailed)	.000					
COM	Pearson Correlation	.878	.884	1			
	Sig. (2-tailed)	.000	.000				
EMP	Pearson Correlation	.794	.838	.801	1		
	Sig. (2-tailed)	.000	.000	.000			
TRS	Pearson Correlation	.873	.864	.866	.837	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
COH	Pearson Correlation	.878	.840	.893	.790	.883	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
b. Listwise N=81							

Source: Survey Data (2018)

Based on the result depicted from the table, there is correlation between firm performance and members participation in the MSEs ( $r=0.842$ ,  $p<0.01$ ). This indicates that firm performance and members' participation in a group have a strong positive correlation score at 0.842. That is, group members' participation has a strong positive association with firm performance. Therefore, this can be interpreted as group participation is positively correlated with firm performance.

The correlation result from the above table, presented there is a substantial relationship between firm performance and members communication in a group ( $r=0.878$ ,  $p<0.01$ ). This indicates that

firm performance and members' communication in a group have a strong positive correlation score at 0.878. That is, group members' communication has a strong positive association with firm performance. This can be interpreted as group communication correlated with firm performance positively.

According to table 12, there is correlation between firm performance and trust between members in a group( $r=0.873$ ,  $p<0.01$ ). This indicates that firm performance and members' trust have a strong positive correlation score at 0.873. That is, group members' trust has a strong positive association with firm performance. Therefore, this can be interpreted as trust between members is positively correlated with firm performance.

Firm performance and group cohesion in a group( $r=0.878$ ,  $p<0.01$ ) indicates that firm performance and members' cohesion in a group have a strong positive correlation score at 0.842. That is, group members' cohesiveness has a strong positive association with firm performance. Therefore, this can be interpreted as group cohesion is positively correlated with firm performance significantly.

The table ascertained that, there is correlation between firm performance and members empowerment in a group( $r=0.794$ ,  $p<0.01$ ). This indicates that firm performance and members' empowerment in a group have a strong positive correlation score at 0.794. That is, group members' empowerment has a strong positive association with firm performance. Therefore, this can be interpreted as group empowerment has a significant positive correlation with firm performance.

In sum, each of the five group variables named participation, communication, trust, cohesion and empowerment are positively associated with firm performance and all of them have strong correlation with firm performance.

From these result it is possible to conclude that, there is sufficient evidence to accept the fact that predictors or independent variables have a strong significant positive correlation with performance of MSEs at a probability value of less than 0.01.

## 4.5 Effect Analysis

### 4.5.1 Assumption of Multiple Linear Regression

For the purpose of examining the effect of group dynamics variables on performance of micro and small enterprises through multiple linear regression, a prior assumptions for multi - collinearity, normality and linearity tests considered as discussed here under.

#### 4.5.1.1 Multi-Co Linearity

According to Hawking (1983), Multi -co linearity refers to the existence of a perfect or exact linear relationship among some or all explanatory variables of a regression model. Andy (2006) suggested that a tolerance value less than 0.1 almost certainly indicates a serious co-linearity problem. Liu (2010) also suggested that a VIF value greater than 10 there is also serious co-linearity problem. Therefore, the tolerance and VIF values of the independent variables of this research are 0.161, 0.139, 0.245, 0.151, 0.154 and 6.228, 7.215, 4.077, 6.626, 6.500 for group participation, group communication, group empowerment, trust and group cohesion in group based MSEs respectively. Based on the result, there is no co-linearity problem in group variables affecting firm performance.

**Table 13: Multi Co-linearity statistics**

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	PAR	.161	6.228
	COM	.139	7.215
	EMP	.245	4.077
	TRS	.151	6.626
	COH	.154	6.500

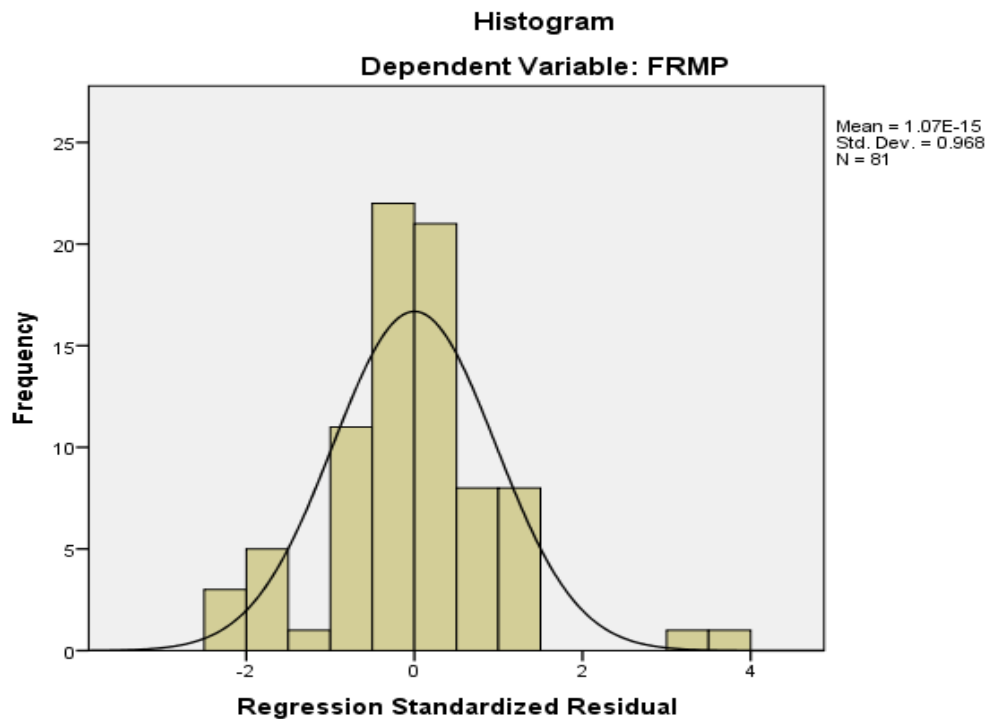
Dependent variable: Firm performance

Source Survey Data (2018)

#### 4.5.1.2 Normality Test

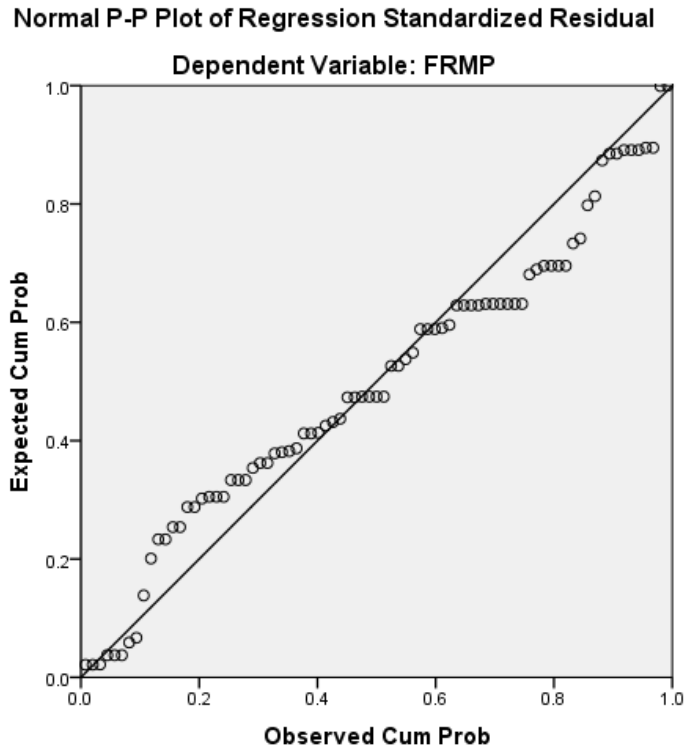
The other important assumption in regression analysis is also that the dependent variable should be tested for normal distribution. Normality is used to describe a symmetrical, bell-shaped curve, which has the greatest frequency of scores around in the middle combined with smaller

frequencies towards the extremes (Pallant, 2005). At the same, time it provides indication about insights gap in the data and outliers. Also it gives idea about skewness or symmetry. The dependent variable in this case is firm performance. If the dependent variable is not normally distributed, there is little point in performing regression analysis because a major assumption of the model is violated. Therefore normality test computed for the dependent variable in this case the following histogram shows a normal distribution.



Source: Survey Data (2018)

**Figure 2: Histogram as Test of Normality for Firm Performance**



Source: Survey Data (2018)

**Figure 3: Normal P-P Plot of Regression Standardized Residual of Firm Performance**

The other checking mechanism to test the normal distribution of scores on the dependent variable i.e. firm performance is the kurtosis and skewness value which is computed by using SPSS. According to IBM SPSS statistics, about Skewness and Kurtosis; skewness is the measures of the asymmetric. The normal acceptable distribution of symmetric has a zero skewness value. However, the standard error greater than 2 indicates a normality problem. Kurtosis on the other hand is a measure of the extent to which observation cluster around a central point. For a normal distribution the value of the kurtosis is zero. The information in table below shows that the coefficients of skewness (0.264, 0.266, 0.264, 0.264, 0.266 and 0.264) and kurtosis(0.523, 0.526, 0.523, 0.523, 0.526 and 0.523) for group participation, group communication, group empowerment, trust and group cohesion respectively are not far from zero. Thus for this research, the histogram, P-P Plot and the ratio of skewness to kurtosis were checked and the result indicates that data used in the study is normally distributed.

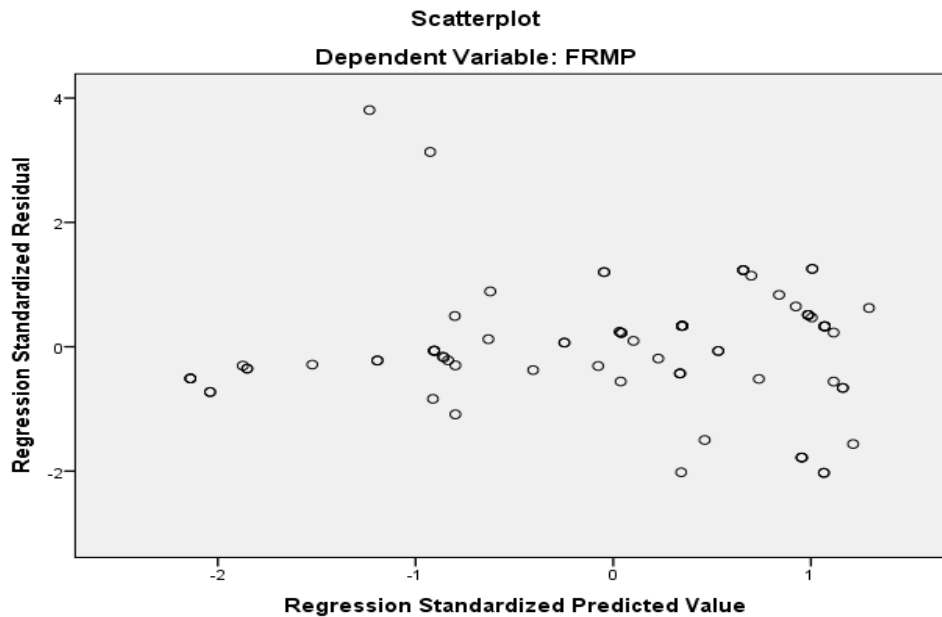
**Table 14: Descriptive Statistics for Normality**

Descriptive Statistics				
	Skewness		Kurtosis	
		Std. Error		Std. Error
FRMP	-.639	.264	-.389	.523
PAR	-.655	.266	-.669	.526
COM	-.782	.264	-.422	.523
EMP	-.636	.264	-.788	.523
TRS	-.443	.266	-.874	.526
COH	-.676	.264	-.601	.523

Source: Survey Data (2018)

**4.5.1.3 Linearity test**

Linearity assumption of multiple regressions was tested using scatter plot test and it was found that there is linear relationship between independent and dependent variables. The linearity result depicted the distribution of residuals near to the mean zero.



Source: Survey Data (2018)

**Figure 4: Scatter Plot**

#### 4.6 Multiple Linear Regression Analysis: The effect of Group Dynamics on Firm Performance

One of the objectives of this paper is to examine the predictive power of group variables; group participation, communication, trust, cohesion and empowerment to firm performance.

Multiple regression analysis is used to measure the statistical effect of each individual independent variable i.e. participation, communication, trust, cohesion and empowerment on the dependent variable (Firm performance).

This measurement is made by referring the value of  $R^2$  to explain the magnitude of the effect of the independent variable on the dependent variable. Thus, the model presents how much of the variance in firm performance is explained by the selected group variables: group participation, group communication, trust, group cohesion and group empowerment. The following are tables given in the output of the regression.

**Table 15: Multiple Regression result of group variables and MSEs performance**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.915 <sup>a</sup>	.837	.826	.42291

a. Predictors: (Constant), EMP, COM, TRS, PAR, COH

b. Dependent Variable: FRMP

Source: Survey Data (2018)

As shown on the table 15 above, the model summery indicates an overall effect of independent variables on dependent variables simultaneously 82.6% variation in MSEs performance is explained by factors of group dynamics (group participation, group communication, trust, group cohesion and group empowerment where by R square is .837 and adjusted R square is .826). The remaining 17.4 % of the variance is explained by other variables not included in this study according to the result.

**Table 16: ANOVA regressions for dependent and independent variables**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.961	5	13.792	77.115	.000 <sup>b</sup>
	Residual	13.414	75	.179		
	Total	82.375	80			
a. Dependent Variable: FRMP						
b. Predictors: (Constant), EMP, COM, TRS, PAR, COH						

Source: Survey Data (2018)

The table 16 above presented the significant relationship between MSEs performance with group participation, group communication, trust, group cohesion and group empowerment. From the statistic in the model if the value of  $F > 1$  and  $p < 0.05$ , the model is fit to predict the effect of independent variables on dependent variable. The result of the study shown that the prediction power of the model is fit at F- value =77.115,  $P = .000$  ( $p < 0.01$ ,  $F > 1$ ). Therefore, the multiple linear regression model is appropriate to this research to predict group variables.

**Table 17: Regression coefficients of the effect of group dynamics on firm performance**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.365	.171		2.131	.036	.024	.706
	PAR	.078	.104	.087	.749	.456	-.130	.286
	COM	.250	.111	.280	2.239	.028	.028	.472
	EMP	.051	.082	.058	.620	.537	-.113	.215
	TRS	.232	.108	.258	2.154	.034	.017	.447
	COH	.267	.113	.280	2.358	.021	.041	.493
a. Dependent Variable: FRMP								

Source: Survey Data (2018)

Based on the result from the table, the effect level of independent variables in the prediction of the dependent variable is presented. Thus, the strength of each predictor variable influence on the criterion (dependent) variable can be investigated via unstandardized Beta coefficient. Hence, the regression coefficient explain the average amount of change in dependent variable that caused by a unit of change in the independent variable. It revealed the relative predictive power of each variable independently after the considerations of all other variables in the model were controlled.

In order to determine which of the factors contributed to prediction of MSEs performance, the unstandardized regression coefficients or beta weights ( $\beta$ ) were examined in (Table 17).

Accordingly group cohesion is the most contributing organizational factor in the prediction of firm performance with beta value 0.267 and significance value of 0.21( $<0.05$ ). This consistent with the study results by ((Mohd, Rosli, 2012; Tan & Selvarani; Kondalker, 2008; Braaton, 1991) depicts that cohesion has a significant positive effect on performance of MSEs performance in the study area. The results suggest that group cohesiveness contributes almost 26.7 % to performance of MSEs.

Similarly, group communication is the second contributing factor with 0.250 beta value which contributes 25.0% to performance of MSEs which has a positive significant effect at 0.028( $p<0.05$ ). existing empirical researches undertaken by (Oyetunde & Oladejo, 2012; Shonubi A. & Akintaro A., 2016; Asamu F., 2014) supports this finding in their respective work results.

Consistent with the previous group dynamics variables, the above table also presents that, trust significantly improves performance in that it predicts at beta value of 0.232 which implies that it contributes 23.2 % in prediction of MSEs performance which is significant at 0.34( $p<0.05$ ) which is in line with the existing literatures made by (Cinakutti & Steding, 2001; Ward & Smith, 2003; Bell and Cohn, 2008).

The fourth independent variable of group dynamics which predicts performance of MSEs is group participation with the beta value of 0.078 which contribute 7.8% to firm performance. The effect of empowerment on MSEs performance is insignificant at the value of 0.456( $p>0.05$ ) although it has a positive influence on firm performance according to the result.

Lastly, the table also presented the predictive ability and effect of group empowerment on firm performance. In that it is revealed that, it predicts MSEs performance with beta value of 0.051 which implies that it contributes 5.1% of predicting firm performance which contributes positively to firm performance though statistically insignificant with the value of 0.537( $p > 0.05$ ).

#### **4.7 Hypothesis Testing**

Based on the un-standardized coefficient of beta and p-value, the hypotheses of the study were tested and the results of the study are presented below.

**H1:** Group dynamics as measured by group cohesion, has a significant positive influence on performance of micro and small enterprises

The result shows group cohesion has a positive significant effect on MSEs performance ( $\beta = 0.267$ ,  $P = 0.021$  which is significant at p- value of less than 0.05)

Therefore H1 is accepted.

**H2:** Group dynamics as measured by group participation, has a significant positive influence on performance of micro and small enterprises

The result shows group participation has a positive influence on MSEs performance but, the effect is insignificant ( $\beta = 0.078$ ,  $P = 0.456$ )

Therefore H2 is rejected.

**H3:** Group dynamics as measured by group communication, has a significant positive influence on performance of micro and small enterprises

The result shows group participation has a positive significant effect on MSEs performance ( $\beta = 0.111$ ,  $P = 0.028$  which is significant at p- value of less than 0.05)

Therefore H3 is accepted.

**H4:** Group dynamics as measured by trust, has a significant positive influence on performance of micro and small enterprises

The result shows group participation has a positive significant effect on MSEs performance ( $\beta = 0.108$ ,  $P = 0.034$  which is significant at p- value of less than 0.05)

Therefore H4 is accepted.

**H5:** Group dynamics as measured by group empowerment, has a significant positive influence on performance of micro and small enterprises

The result shows group communication has a positive influence on MSEs performance but, the effect is insignificant ( $\beta = 0.051$ ,  $P= 0.537$ )

Therefore H5 is rejected

**Table 18: Summary of Hypothesis**

H. No	Hypothesis	Beta value	P- value	Result
H1	Group dynamics as measured by group cohesion, has a significant positive influence on performance of micro and small enterprises			
H1a. Firm Performance		0.267	0.021	Accepted
H2	1. Group dynamics as measured by group participation, has a significant positive influence on performance of micro and small enterprises			
H2a. Firm performance		0.078	0.456	Rejected
H3	Group dynamics as measured by group communication, has a significant positive influence on performance of micro and small enterprises			
H3a. Firm Performance		0.111	0.028	Accepted
H4	Group dynamics as measured by trust, has a significant positive influence on performance of micro and small enterprises			
H4a. Firm Performance		0.108	0.034	Accepted
H5	Group dynamics as measured by group			

	empowerment, has a significant positive influence on performance of micro and small enterprises			
H5a. Firm Performance		0.051	0.537	Rejected

Source: Survey Data (2018)

As the hypothesis summary table 4.16 shows, group dynamics elements (group participation and group empowerment) are rejected because their effect is insignificant on performance of MSEs and group dynamics elements including cohesion, trust and communication are accepted because they have a positive significant effect on MSEs performance.

#### 4.8 Discussion on Major Findings

This section summarized the core points and major findings which were obtained from data analysis of survey questionnaire:

- The numbers of male respondents in the target population are a higher than female respondents (female 28.9%, male 71.1%) and majority of the respondents are within the range of 20-30 age categories i.e. 77.1%.
- The largest group of the respondents comprises TVET and college completers, which is 62.7 % of the total respondents. Furthermore, 28.9% of the respondents have responded that their firm has a life of two years and the highest portion of MSEs are organized in town agriculture sector which accounts for 36.1%. Majority of MSEs(49.4%) are formed in members of five operators.
- Group communication has the highest mean score of 3.7068 which is the highest among the other group dynamics elements.
- The mean score for the measures of group cohesion is the second highest (3.6506), followed by group participation (3.5427), group empowerment (3.5382), and trust (3.5163). This indicates that, the majority of respondents have slight agreement on all the measures.
- Mean score of firm performance is (3.5261) which indicates as the responses are above average which implies that respondents have a slight agreement on the dimensions of firm performance.

- Pearson correlation coefficients implies that the five group dynamics elements (group participation, group communication, trust, group cohesion and group empowerment) have a strong positive association with firm performance with the correlation result of 0.842, 0.878, 0.873, 0.878 and 0.794 respectively all were significant at  $p < 0.01$  level.
- Findings from the multiple regression analysis shows, 82.6% variation in firm performance is explained by group dynamics elements under study (where by R square is .837 and adjusted R square is .826).
- Furthermore, the significance value of F statistics shows a value .000, which is less than  $p < 0.01$ , implies the model is significant.
- The result also depicts that group cohesion is the most contributing group variable in the prediction of performance of MSEs with beta value of 0.267 followed by group communication (0.250), trust (0.232), group participation (0.078) and group empowerment (0.051) in the prediction of firm performance.
- There is no multi co-linearity problem among all group dynamics variables which is asserted by tolerance values greater than 0.1 and VIF value less than 10.
- Alternative hypotheses made on group cohesion, group communication and trust are accepted as significance levels are .021( $p < 0.05$ ), 0.028( $p < 0.05$ ) and 0.034( $p < 0.05$ ) respectively. To the contrary, alternative hypotheses on group participation and group empowerment are rejected as significance levels are 0.456 ( $p > 0.05$ ) and .537 ( $p > 0.05$ ) respectively. It shows that group participation and group empowerment does not have significant effect on the level of MSEs performance.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary of Main Findings

The main objective of this study was to examine group dynamics and its effect on performance of Micro and Small Enterprises in Simada Woreda. To carry out this study; theoretical and empirical review of scholarly articles was undertaken, a conceptual frame work was developed, descriptive, correlation and regression analysis were employed to respond to the following basic questions.

- ✚ What is the effect of group cohesion on performance of Micro and Small enterprises?
- ✚ What is the effect of group participation on performance of Micro and Small enterprises?
- ✚ What is the effect of group communication on performance of Micro and Small enterprises?
- ✚ What is the effect of group trust on performance of Micro and Small enterprises?
- ✚ What is the effect of group empowerment on performance of Micro and Small enterprises?

To answer the basic research questions of this research, the study was conducted on 86 MSEs formed on group basis in Simada Woreda. As the number of the target population was not large, a specific sampling technique is not considered rather the whole target population (86 MSEs) was made take part in conducting this research by filling questionnaire through their representatives although 3(3.4%) have not responded.

After conducting different investigations on the group dynamics variables identified to measure firm performance, it come up with the following major findings:

The result of the descriptive analysis indicated that group communication has the highest mean score of 3.7068 which is the highest among the other group dynamics elements. The mean score for the measures of group cohesion is the second highest (3.6506), followed by group participation (3.5427), group empowerment (3.5382), and trust (3.5163). Mean score of firm performance is (3.5261) which indicates as the responses are above average. This indicates that, the majority of respondents have slight agreement on all the measures although MSEs managers who have responded as they were performing below average were not a few.

The correlation result of the predictors and the outcome depicted that, all the group dynamics variables have a strong and significant positive associations with the dependent variable with some sort of differences in the extent of correlation i.e. group cohesion and communication each has a strong positive correlation with a correlation value ( $r= 0.878$ ,  $p$ - value 0.000 which is significant at  $p< 0.01$ ) followed by trust ( $r= 0.873$ ,  $p<0.01$ ), participation ( $r= 0.842$ ,  $p<0.01$ ) and empowerment ( $r=0.794$ ,  $p< 0.01$ ) to MSEs performance.

The regression analysis of the research concluded that, group cohesion, group communication and trust have a positive significant effect on MSEs performance with a significance values of .021( $p<0.05$ ), 0.028( $p<0.05$ ) and 0.034( $p<0.05$ ) respectively. On the other hand, group participation and group empowerment have a positive but insignificant influence on MSEs performance with the significance levels 0.456 ( $p>0.05$ ) and .537 ( $p>0.05$ ) respectively. It is also ascertained in the regression analysis that, group dynamics variables (group participation, group empowerment, group cohesion, group communication and trust) could explain 82.6% of the variation in firm performance. For the regression analysis a prior assumption tests for multicollinearity, normality and linearity tests has been undertaken.

## **5.2 Conclusion**

Based on the findings of this research, the study has been able to reveal that ;

Cohesiveness allows group members develop attraction and closeness between themselves which helps them feel they belong to the enterprise and have title or ownership over the firm. The findings depicts that enterprises becomes productive as long as there is a high degree of attraction between members of the group which is asserted by the contribution of beta value of 26.7% for performance significant at the value of 0.021( $p<0.05$ ) which is higher than the rest that initiates members enact strategies to increase the degree to which cohesion be improved. This finding similar with existing literatures of (Mohd, Rosli, 2012; Tan & Selvarani; Kondalker, 2008; Braaton, 1991) asserts that cohesiveness has a positive significant effect on performance which coincides with the findings of the current knowledge. Accordingly, it is concluded that group cohesion have a significant positive effect on performance of micro and small enterprises aligned with the results suggested by scholarly literatures.

The findings of this study also revealed that, effective communication creates mutual understanding between members which helps in building genuine relationship among group members. The possibilities of creating comfortable expressing points of view to members in a group allows them speak and express what is important to the betterment of the enterprise. According to this research, enterprises make human and material resources agglutinate and MSEs performance be improved only when members communicate and create a shared belief. Firms which create an environment where members feel they are listened to and listen to others could be benefited from members' benevolence to achieve its objectives. It is concluded that communication is a means through which the task and the resources needed to carry out enterprise's tasks, the roles and duties and the expected results are made known to members which makes work easier for better performance. This is ensured in that its contribution to MSEs performance is 25% with a significance value less than 0.05 which is the second largest contributor in affecting performance of MSEs. The results of this study are in line with the results of the studies conducted by (Oyetunde & Oladejo, 2012; Shonubi A. & Akintaro A., 2016; Asamu F., 2014) in that, they have asserted communication has a positive significant effect on performance. The findings from this study therefore depicted that communication has a positive significant effect on performance of micro and small enterprises (MSEs) which aligns with existing research.

Consistent with the study results by (Cinakutti & Steding, 2001; Ward & Smith, 2003; Bell and Cohn, 2008), the finding in this research asserted that trust which allows openness between members which enable them perform a particular action important to the common goal of developing performance of the enterprise significantly affects MSEs performance with the prediction or beta value of 0.32 significant at the value of 0.34( $p < 0.05$ ) which is contrary to results of (Wicks, Berman and Jones, 1999). MSEs which develop trust on its members are the one which allow members contribute their part to the enterprise. MSEs in which members do not trust each other are suffered by members who protect their own work performance from other's judgments and criticisms instead of collaborating to accomplish the task at hand. Moreover, group members with low level of trust do not want to share information on the progresses or failures of firm performance which further degrades performance. Wicks, Berman and Jones, 1999 have discussed that over investment on trust is costly as it develops dependence and bring

about loss of keeping balance. Hence from this stand, it is possible to conclude that trust between members have a positive significant effect on MSEs performance.

The other group variable, empowerment is also examined which Randolph W., (1991) explained as the authority to make decisions within one's area of operations without having to get approval from anyone else. According to this study, empowerment influences operational capabilities of group members positively by making them autonomous to achieve group goals and making decisions that they think they are faithful. The result of this study coincides with previous studies made by (Quinn & Spreitzer, 1997; Thorlakson & Murray, 1996; Reza M. 2016; Scott E., Seibert R. & Alan W., 2004), in that they have asserted empowerment positively affects performance. But on the other hand, (Jeffrey G. and Frederick G. 1996; Kotter and Schlesinger, 1979) revealed empowerment should be well managed because it imposes ambiguities on members in that, they will lose power and responsibilities, being fired from membership due to their failures to fit the group and others. Although different researchers depicted their stands, the findings of this study asserted and it is concluded that empowerment has a positive but statistically insignificant effect in that its beta value is 0.051 and probability value of 0.537( $p > 0.05$ ) on MSEs performance although the result requires additional investigations be undertaken further.

Finally participation was the other group variable to examine its effect on performance. The finding from this study revealed that, it develops friendliness and allows members to add information to the idea which they can contribute, Participation helps members consider as their voices are respected and therefore, it affects performance positively. Previous studies by (Aram & Morgan, 1976; Donelson 2010) have revealed that participation has a positive significant effect on performance which on the other hand (Mitch D., Tim M, Carolyn A. and Dave P.; 2005) discussed as it may hamper performance allowing presence of a simple conversation than reaching quality conclusions. Therefore, although researchers in this area developed ambiguous concepts and empirical evidences, from the findings of the study it is possible to conclude that participation has a positive but statistically insignificant effect at values of beta value of 0.078 and significance value of 0.456( $p > 0.05$ ) on performance of MSEs by which group members should invest on the previous elements which have a positive significant effect which dictates as additional researches be considered.

### 5.3 Recommendations

Based on the findings of the study and conclusions made, the following recommendations are suggested which would help MSEs capacitate themselves to improve performance and performing bodies in the study area (SWTVEDB, SWACSI, and HBTVET College) should incorporate in their support packages in their endeavor to enable MSEs compete in the local and abroad market. The recommendations are as follows;

The findings from this research nearly depicts that group dynamics variables have a positive significant effect on performance of micro and small enterprises in Simada Woreda. Above all, group cohesion is the most perceived by those MSEs as represented by their managers. MSEs should thereof create an environment where members feel they belong to the enterprise and create a sense of closeness between themselves so that they want to remain in the enterprise with the existing group for long. MSEs should therefore make all the required investment in creating cohesiveness between group members as it is the dominant factor affecting performance. Although the highest portion of task of creating cohesiveness in the enterprise is on the shoulder of the firm, performing bodies specially the woreda TVED office should take part and incorporate it as its support schemes.

The next recommendation goes to the contributions of communication which is asserted as it has a significant positive influence on firm performance. This element is decisive so that members in MSEs should seize on the contributions from it. It is because of communication members create mutual understanding on what tasks to be accomplished, what objectives to be achieved which could be granted by allowing members feel sense of comfort in expressing their ideas. Absence of communication in the enterprise is considered going erroneous which will further erode performance. Trust is revealed as the positive significant factor which is detrimental to firm performance and hence, firms should be at work in building it between members of the group. Openness between members is desiderating if enterprises opt to build trust and enlarge performance which stakeholders (HBTVET college, SWACSI and Simada Woreda TVED office through its one stop services) are also expected to contribute in line with other government functionaries in the Woreda administrative. But, what is to be understood is that, it is internal to the enterprise and therefore building trust or dissolving is on the hands of members than outside support from functionaries except in cases where enterprises are newly emerged. The TVED and

MSED structure starting from the national level should also enact directives and packages and make inclusive of the effect of these group variables on performance of MSEs in line with existing procedures.

The other group variable Lastly, the recommendation goes through participation which has insignificant influence on performance of MSEs. Participation of members is required in the enterprise they are from. Even members assume they have title over the firm when their voices are respected and hence micro and small enterprises should prognosis that allowing members participate in affairs of the enterprise improves performance. But what should be considered here are MSEs should not go through a lot because its influence on performance of the business is insignificant though positive.

Lastly, the other group element unlike the former group variables which has not perceived significant perception by MSEs is empowerment. Although the effect of empowerment is insignificant, it contributes positively to the increment of performance. Therefore, micro and small enterprises should create environment which allows group members handle responsibilities and make decisions which further initiate them to the next and challenging career. Here stakeholders should also take responsibilities of granting empowerment to members of MSEs. Over all, it is suggested that MSEs and other performing groups should invest in group variables bringing about remarkable positive effect on performance of MSEs.

#### **5.4 Limitation of the Study**

The study is characterized by the following limitations;

The cross sectional /single point data collection using quantitative research design was utilized to gather response from MSEs managers representing groups but this is limited to one point in time. Thus, future researchers should consider longitudinal design and incorporate qualitative investigations to clarify the effect of each of the group dynamics variable on MSEs performance.

The study is bound in Simada Woreda and hence, a sort of limitations may encounter specially on its generalizability to other areas of the region and the country which further trigger researchers conduct research on this issue at national and regional level.

## **5.5 Contribution of the Study**

The issue of group dynamics and its effect on performance of MSEs is under researched in the developing world. Especially in Ethiopia, this research issue is under investigated, researchers who have investigated their research works in relation to MSEs concentrate on the factors affecting MSEs which are external to them. Therefore, this study will contribute by triggering other researchers excogitate researching on this and related issues. Furthermore, this study will also enable the TVET and MSED structure consider the recommendations and incorporate in its support packages to the Woreda level after considering further investigations on the issue.

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**APPENDIX Questionnaire -A  
BAHIR DAR UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**POSTGRADUATE PROGRAM (MBA)**

**Questionnaire on Group Dynamics and Its Effect on performance of Micro and Small Enterprises (to be filled by Micro and Small Enterprise Manager)**

I am a post graduate student in Bahir Dar University in the department of Master of Business Administration and currently I am undertaking my graduation paper. The study is to be conducted to examine “**Group Dynamics and Its Effect on Performance of Micro and Small Enterprises in Simada Woreda**”. You are kindly requested to complete the questionnaires enclosed here with. There is no right and wrong answer. All the information provided will remain strictly confidential and will be used for research purposes only.

The questionnaire will not take more than 20 minutes. Though it is reasonably short, I would like to really appreciate your cooperation in filing the whole questionnaire completely and honestly by taking your precious time.

Misganaw Abebe

**PART 1: General Information**

**Instruction:** For each of the following statements, please put (×) tick mark in the boxes.

1. Sex:  Male  Female
2. Age: (years)  20-30  31-40 years  
 41-50  Above 50
3. Number of years the firm stays in the current business -----
4. Type of organization ----- (manufacturing, construction, town agriculture...)
5. Number of members -----
6. Education status of the manager -----

**PART 2: Please indicate your level of agreement to the following seven sets of questions and put a tick mark (×) on the space provided for each likert items ranging from 1-strongly dis agree, 2- dis agree, 3- neutral, 4- agree, 5- strongly agree**

<b>Cohesiveness (5- strongly agree and 1- strongly disagree)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
I always feel belongingness to the enterprise					
I always feel that the organization is mine					
I want to remain in this enterprise(with the group) in the future					
<b>Trust (5- strongly agree and 1- strongly disagree)</b>					
Openness exists among members					
I trust that members are contributing their parts to the enterprise development					
Members trust each other					
<b>Participation (5- strongly agree and 1- strongly disagree)</b>					
The group members are friendly to me					
The members listen to me whenever I have something to say about the enterprise					
I feel free to add information to the idea raised which I think can contribute					
The members support ideas of others and group to work together					
<b>Communication (5- strongly agree and 1- strongly disagree)</b>					
I am always willing to speak and express opinions to the group					
Members feel comfortable expressing points of view					
I am listened to and listen to others					
<b>Empowerment (5- strongly agree and 1- strongly disagree)</b>					
We strive for attainment of group goals					
Whenever important idea comes, it influences the group decision					
Each member is empowered to come up with the ideas to the betterment of the enterprise					
<b>Firm Performance (5- strongly agree and 1- strongly disagree)</b>					
Our profits are above the average of our industry					
Our market share has increased continuously					
Our customer are satisfied by our products					

APPENDIX- Questionnaire -B

ባህር ዳር ዩኒቨርሲቲ

ቢዝነስ እና ኢኮኖሚክስ ኮሌጅ

የድህረ ምረቃ ፕሮግራም

በቡድን መስራት በጥቃቅን እና አነስተኛ ኢንተርፕራይዞች ውጤታማነት ላይ ያለው ተጽዕኖ በሚል ርዕስ ላይ የተዘጋጀ መጠይቅ (በኢንተርፕራይዞች የቡድን መሪ የሚሞላ)

እኔ በባህርዳር ዩኒቨርሲቲ የንግድ ስራ አስተዳደር የድህረ ምረቃ ተመራቂ ተማሪ ስሆን በአሁኑ ሰዓት የመመረቂያ ዕሁፌን በማዘጋጀት ላይ እገኛለሁ። የጥናቴ ርዕስም «በስማዳ ወረዳ በጥቃቅን እና አነስተኛ ቡድን ተደራጅተው የሚሰሩ ኢንተርፕራይዞች በስራ ውጤታማነት ላይ በቡድን የመስራት ተጽዕኖ»ን ማጥናት ነው። እርስዎ ከዚህ ጋር የተያያዘውን መጠይቅ እንዲሞሉ በአክብሮት ተጠይቀዋል። ማንኛውም የሚሞሉት መረጃ በሚስጥር የሚያዝ ሲሆን አገልግሎቱም ለትምህርታዊ ጥናት እና ምርምር ብቻ የሚውል ይሆናል። መጠይቁ ከ20 ደቂቃ በላይ የሚጨርስ አይሆንም። ውድ ጊዜወትን ሰውተው ሁሉንም መጠይቆች በመሙላት ለሚያደርጉልኝ ትብብር ሁሉ ከልብ አመሰግናለሁ።

ለትብብርዎ በቅድሚያ ከልብ አመሰግናለሁ!!  
ምስጋናው አበበ

ክፍል አንድ: ግላዊ መረጃ

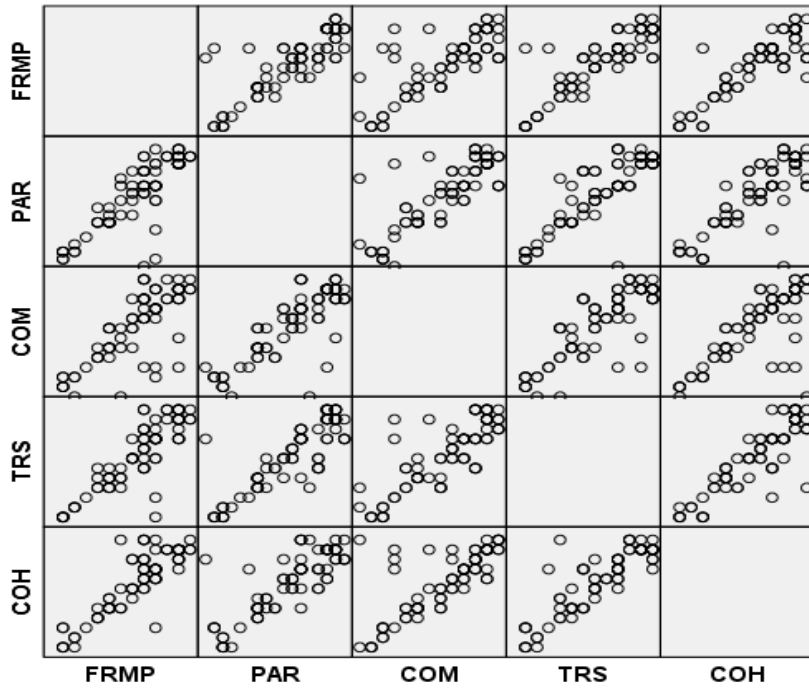
መመሪያ: መልስዎትን በሳጥኑ ወስጥ ምልክት (x) ያስቀምጡ

- 1. ያታ  ወንድ  ሴት
- 2. እድሜ  20-30  31-40  41-50  ከ50 በላይ
- 3. ኢንተርፕራይዙ በዚህ ዘርፍ በስራ ላይ የቆየባቸው አመታት -----
- 4. የተሰማራበት ዘርፍ ----- (አምራች፣ ግንባታ፣ ከተማ ግብርና፣ ...)
- 5. የአባላት ብዛት -----
- 6. የትምህርት ደረጃ -----

ክፍል ሁለት፡ መመሪያ፡ በዝርዝር በተቀመጡት መጠይቆች የእርስዎን የስምምነት ደረጃ ከዚህ ቀጥሎ በተቀመጡት አማራጮች መሰረት የ(x) ምልክት ያድርጉ። (1-በፍፁም አልስማማም፣ 2-አልስማማም፣ 3-ለመወሰን እችላለሁ፣ 4- እስማማለሁ 5- በጣም እስማማለሁ)

የቡድን አባላት ትስስር (5- በጣም እስማማለሁ፣ 1- በፍጹም አልስማማም)	5	4	3	2	1
ኢንተርፕራይዙን እወደዋለሁ					
ሁልጊዜም ኢንተርፕራይዙ የእኔ እንደሆን ይሰማኛል					
ለወደፊቱ በዚህ ኢንተርፕራይዝ ውስጥ ከቡድን አባላት ጋር መቆየት እፈልጋለሁ					
መተማመን (5- በጣም እስማማለሁ፣ 1- በፍጹም አልስማማም)					
በቡድን አባላት መካከል ግልፅነት አለ					
አባላት ለኢንተርፕራይዙ እድገት የድርሻቸውን እየተወጡ እንደሆን እተማመንባቸዋለሁ					
የቡድን አባላት እርስ በራሳችን እንተማመናለን					
ተሳታፊነት (5- በጣም እስማማለሁ፣ 1- በፍጹም አልስማማም)					
የቡድን አባላት ልክ እንደ ጓደኞቻችን ናቸው					
ስለኢንተርፕራይዙ የምገልፀው ሃሳብ ካለኝ አባላት ያዳምጡኛል					
ሌሎች የቡድኑ አባላት ባነሱት ሃሳብ ላይ የእኔን ሃሳብ በነጻነት አራምዳለሁ					
በጋራ ለመስራት የሌሎችን አባላት እና የቡድኑን ሃሳብ እደግፋለሁ					
ተግባቦት (5- በጣም እስማማለሁ፣ 1- በፍጹም አልስማማም)					
ያለኝን ሃሳብ እና አስተያየት ለቡድኑ ለማጋራት ፈቃደኛ ነኝ					
ሁሉም አባላት ሃሳባችን ለማራመድ የተመቻቸ ሁኔታ አለ					
አባላት ያዳምጡኛል እኔም አዳምጣቸዋለሁ					
መበረታታት (5- በጣም እስማማለሁ፣ 1- በፍጹም አልስማማም)					
የቡድኑን አላማ ለማሳካት እንጥራለን					
ጠቃሚ ሃሳብ እስከመጣ ድረስ የቡድኑ ውሳኔ አካል ይደረጋል					
እያንዳንዱ አባል ለኢንተርፕራይዙ የሚጠቅም ሃሳብ ይዞ እንዲመጣ ይበረታታል					
የኢንተርፕራይዙ አፈጻጸም (5- በጣም እስማማለሁ፣ 1- በፍጹም አልስማማም)					
ትርፋችን ከኢንዱስትሪው አማካይ በላይ ነው					
የገበያ ድርሻችን በተከታታይ እያደገ ነው					
ደንበኞቻችን በምርቶቻችን ረክተዋል					

**APPENDEX 3 – Linearity  
Test of Linearity**



Source: Survey Data (2018)

**Figure 5: Linearity of each variable for Firm Performance**